



# SOUND

---

## DEVELOPMENT

*Proposal for a Long Island Real Estate Investment Group*

### Confidentiality Statement

The information contained in this document is privileged and confidential information intended for use of the addressee. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this transmission in error, do not read it. Please immediately reply to the sender that you received this communication in error and then delete it. Thank you.

**IRS Circular 230 Disclaimer:** To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. tax advice contained in this communication, unless otherwise specifically stated, was not written to be used and cannot be used for the purpose of (1) avoiding any penalties under the Internal Revenue Code or (2) promoting, marketing or recommending to another party any tax-related matters addressed herein.

**TABLE OF CONTENTS**

**PURPOSE** 4

**INVESTMENT AMOUNT** 4

**INVESTMENT TYPE** 4

**INVESTMENT TERM** 4

**RETURN ON INVESTMENT (ROI)** 5

**INVESTMENT STRATEGY** 6

**MARKET LOCATION** 7

**CORPORATE STRUCTURE AND MANAGEMENT** 8

**Management** 8

        Sal LoPiccolo, Co-President 8

        Craig Grella, Co-President 8

**Service Providers** 8

        Attorney 8

        CPA 8

**WEBSITE** 9

**CONTACT** 9

## Purpose

Sound Development Investment Group is being formed to take advantage of opportunities in the multifamily and apartment rental market on Long Island, NY.

Our goal is to take advantage of opportunities to acquire properties from bank owned / foreclosure portfolios and then to add significant value through renovation, rehabilitation, and re-leasing.

We aim to deliver above average returns for investors through value add transactions and timely property disposition.

## Investment Amount

Sound Development Investment Group seeks to raise \$200,000 from investors. Initially, we will solicit family members and close business relationships. After we've achieved success with several projects we will open the investment group to other members.

## Investment Type

Sound Development Investment Group will acquire small multi-family properties between six and twelve units each priced between \$400,000 and \$1,000,000.

## Investment Term

The total project timeline from investment to disposition for each property is expected to be two years.

Upon completion of property renovation and re-leasing at or near market rates, we will have several disposition strategies. Each will be accomplished within two years and provides for the successful repayment of all monies plus a generous rate of return for the investor.

1. Sell the property on the open market for fair market value.
2. Market the property to investors at wholesale prices for quick sales.
3. Refinance and hold the property for continued cash flow.



Figure 1 - Project Timeline

## Return on Investment (ROI)

We will be purchasing properties at a significant discount, and will be returning the property to prime condition through renovation, rehabilitation, and market rate re-leasing. Our goal is to sell the property at market value within two years of acquisition.

Because we are buying properties at a discount we will be able to add significant value and quickly return the properties to market value. In the event we are not able to sell the property for full market value in two years time, we will refinance the mortgage and hold the property for continued cash flow. The added value refinance will allow us to return the investors money plus the same profit as if we had sold the property.

In summary, whether we sell the property or refinance it, the investor's money will be returned plus profit, in two year's time.

The investor will make a return commensurate with the level of investment made. A higher investment will return a higher percentage of profit. A table of expected returns according to investment amount is listed below.

Initial Investment	Year 1 Return	Year 2 Return	Return of Initial Investment	Overall Return	Cash on Cash Return	Overall Return / Yr.
(\$1,000)	\$88	\$88	\$1,000	\$1,175	17.50%	8.80%
(\$2,500)	\$250	\$250	\$2,500	\$3,000	20.00%	10.00%
(\$5,000)	\$625	\$625	\$5,000	\$6,250	25.00%	12.50%
(\$10,000)	\$1,375	\$1,375	\$10,000	\$12,750	27.50%	13.75%
(\$25,000)	\$3,750	\$3,750	\$25,000	\$32,500	30.00%	15.00%

Table 1 - Expected Return on Investment

An investment of \$5,000 will return \$625 (12.5%) each year of the investment. Upon sale of the property, the initial investment of \$5,000 will be returned in full for a total return of \$6,250 (\$625 in year 1, \$625 in year 2, and \$5,000 return of initial investment), which represents a total cash on cash return of 25.00% .

As stated above, Sound Development's purpose is to return above average rates of interest to its investors. The rates of return in the schedule above accomplish exactly that.

Table 2 on the next page shows the average return over a three year period for the stock market, treasuries, savings account/CD, and popular 401k/IRA's.

In Comparison, Sound Development’s planned return would outpace each of those methods by anywhere from 3.8% - 10%, depending on level of initial investment.

Type	3yr Avg. Return
Bond <sup>1</sup>	4.93
CD <sup>2</sup>	5.46
401k/IRA <sup>3</sup>	11.47
Stock Market <sup>4</sup>	12.48

Table 2 - Historical Return

## Investment Strategy

Credit has been relatively easy to obtain in the past five years. As such, would be investors were overleveraging properties and could not afford their monthly payments. Often times, these owners did not properly plan for future financial events and the lender was forced to take back many of these properties into their own portfolios. In an effort to liquidate these properties lenders offer their REO properties to investors at prices well below market value. Usually the bank is willing to accept just what is owed on the property, and sometimes even less than that.

Buying at such a discount will allow us to infuse cash to properties that may have fallen into disrepair, quickly returning the property to full market price, creating significant value for the investor.

<sup>1</sup> Bond data from U.S. Treasury ([www.treas.gov](http://www.treas.gov)).

<sup>2</sup> Historical CD data from Bankrate ([www.bankrate.com](http://www.bankrate.com)).

<sup>3</sup> 401k/IRA data from Vanguard ([www.vanguard.com](http://www.vanguard.com)).

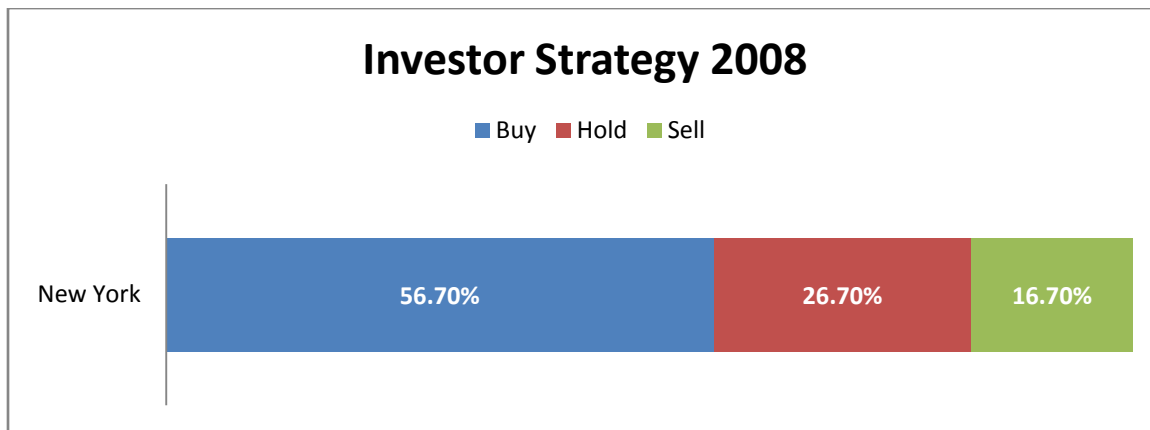
<sup>4</sup> Stock Market data from New York Stock Exchange ([www.nyse.com](http://www.nyse.com)).

## Market Location

Sound Development Investment Group will invest in the Long Island, New York market.

A leading study done each year for the past 29 years by the Urban Land Institute and PriceWaterhouseCoopers Real Estate research shows that Long Island is the 5<sup>th</sup> best market in the country in which to invest in multifamily real estate for 2008 and 2009.

A survey of developers, investors, and real estate investment trusts report the following:



In essence, almost 57% of those surveyed reported they would concentrate on buying property in 2008, 26.7% said they would hold current property for positive gains in the New York area, and only 16.7% said they would sell what they currently own. Clearly, the New York and Long Island areas are poised for positive growth in the coming months.

The same report mentioned above expects multifamily construction to decrease in each of the next three years allowing for demand to catch up to supply and all but guaranteeing a steady increase in rental rates.

As Sound Development's strategy is to invest in both residential and multi-unit properties we plan to capitalize on both market fundamentals.

## Corporate Structure and Management

The company will be governed by a board of directors, each from different real estate disciplines.

In addition to a board of directors Sound will be guided by a team of consultants and service providers listed below:

### Management

#### **Sal LoPiccolo, Co-President**

Centereach, NY

Mr. Sal LoPiccolo currently serves as principal of Cornerstone Funding Services, Inc. a consultancy specializing in commercial real estate and construction finance.

#### **Craig Grella, Co-President**

Seattle, WA

Mr. Grella also serves as principal of Cornerstone Funding Services, Inc. He holds a degree in Civil and Environmental Engineering and has worked in both the development and finance fields.

### Service Providers

#### **Attorney**

Sound Development will retain an attorney to prepare legal documents such as corporation filings, investment brochures, and lease documents.

#### **CPA**

Sound Development will use the services of a CPA for quarterly investment reporting and tax filings.

## **Website**

Each investor will be given access to the fund website site to view financial information at any time they choose. For security purposes, the site will be password protected and each investor will be given the password.

In addition to viewing statements, investors will be able to print and download copies which can be imported into most financial software such as Quickbooks™ and Quicken™, for easy reporting and accountant accessibility.

## **Contact**

Sound will maintain headquarters in Long Island, New York.