10769 S Pulaski Road, Chicago – January 2018

Introduction:

- Every month we are sending a newsletter that provides updates from the last month. Updates are related to all relevant aspects: financial, operational & Ad Hoc.
- This specific newsletter was created to capture all the updates since the acquisition of this property in July 2017 until end of December. This will allow you to have all the information from day one.
- Going forward you will receive the newsletter every month like all other partners on other properties.

Property's Photos:

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Now we own the property – what should you expect?

- Starting July 13th – we are the owners of the property. We are working closely with our property managers on site, taking care of all ongoing items & emergencies.
- Monthly updates – we will send a monthly update every 15th of the month. It will include the following:
  - Financial results YTD (Year-To-Date).
  - Items that were taken care of during the past month.
  - Plans for the coming months.
  - Items we need to discuss or vote for, when relevant.
  - Owner distribution will start after property is stabilized and will be paid on a quarter basis.

What was done so far?

- Our property manager informed all tenants about the change of ownership.
- We have started collecting rents (late rents that were not paid before the closing date)
- Initial setup –
  - Opening bank account for MNG purposes (by property manager).
  - Transfer all utilities on our name.
- This property had 3 vacancies when it was acquired. Currently it is fully rented (vacant units were cleaned and taken care of to allow us to rent them).
- Roof was fully replaced on September 2017, cost of $9,700.
- Property tax – was contested successfully. We work with attorney office that specializes with contesting property tax. We apply right after closing and later on we do it again every two or three years, depends on the county and the way they work. Cost for this tax contestation is 30% of the 1st year saving. If no success, we do not pay the fee.

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Financial Results – 2017:

Rent income – We are still in stabilization stage. This means that some of the rent are paid in a delay. Our property manager is following up on all those delays.

Expenses –

- Repairs & Maintenance – items that need to be fixed, monthly cleaning, and different issues that come up on a regular basis. This includes also preparing a unit for a new tenant (also called unit turn over)
- Major Rehab & Appliances – These are not expenses, it is falling under investment/improvements, and being added to the value of the property. Amounts reflected in this section are related to the roof replacement on September and a new refrigerator we had to buy for one of the units on December.

Mortgage Payments – include 3 components**:** Principle, Interest & escrow. Escrow is kept by the bank and they use it to pay property tax when time comes

Portion per Partner – there is one line for each partner to reflect the amount that is being accumulated toward each of us. Checks for partners' distribution (or direct deposit) will be sent to partners every quarter. Example: on April distribution will be paid for January, February & March.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**3,060**	**3,540**	**3,149**	**3,917**	**8,155**	**21,820**
Repairs & Maintenance	0	0	0	0	0	0	0	220	2,473	2,930	670	1,730	**8,023**
Utilities	0	0	0	0	0	0	0	42	77	1,722	74	155	**2,071**
MNG Fee & Leasing Fee	0	0	0	0	0	0	0	0	750	500	0	3,600	**4,850**
Insurance & Property Tax	0	0	0	0	0	0	2,494	0	0	0	0	0	**2,494**
Professional Fee (Accounting & Legal)	4,050	0	0	750	0	0	219	100	963	307	1,435	0	**7,824**
Miscellaneous Expenses	295	0	0	0	0	0	40	0	58	15	15	0	**423**
Total Expenses	**4,345**	**0**	**0**	**750**	**0**	**0**	**2,753**	**362**	**4,321**	**5,474**	**2,194**	**5,485**	**25,685**
NOI	**(4,345)**	**0**	**0**	**(750)**	**0**	**0**	**(2,753)**	**2,698**	**(781)**	**(2,326)**	**1,723**	**2,670**	**(3,865)**
Mortgage *	0	0	0	0	0	0	0	2,780	2,780	2,780	2,780	2,780	**13,900**
Net Cash before Income Tax	**(4,345)**	**0**	**0**	**(750)**	**0**	**0**	**(2,753)**	**(82)**	**(3,561)**	**(5,106)**	**(1,058)**	**(110)**	**(17,765)**
KERRA - 30% Fee													**0**
Net After KERRA Fee													**0**
Portion/Partner - Ohad Kaufman 18%													**0**
Portion/Partner - Eliav Kling 41%													**0**
Portion/Partner - Revital Kling 41%													0
Major Rehab & Appliances **	0	0	0	0	0	0	0	0	9,705	0	0	438	**10,143**

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Others Updates:

- **Upcoming Tax Season** – We wanted to share some information regarding tax return process for holding a property in the USA.
    - **LP (Limited Partnership) –** is a pass thru entity, this means it only submits the tax return but do not pay tax. We are taking care of the LP tax return from A to Z. LP will provide all partners a form that reflects their prorated profit in the partnership. This form is called K1.
    - **Personal tax in the US –** each partner will have to submit their tax return in the US using their K1 form (1 form or more, depends on how many properties you own). Your personal tax return will include also other income you might have in the US.
    - **ITIN –** this is a tax ID for non-American residents. This ID is created on the first time you submit a personal tax in the US. Any accountant can request the ITIN on behalf of his clients (client need to provide few forms). In case a partner has an American Tax IT we will ask to provide it to our accountant so he can create the K1 with the relevant ID on it.
    - **Personal tax in country of residence –** after you have submitted your personal tax in the US, you need to provide this from to you accountant in your country of residence. For this specific partnership we have partners in Canada & Mexico, both countries have tax agreement with the US. Therefore no double taxation, the country of your residence will ask you only to top up according to local tax bracket considering your personal situation.
    - **2017 Tax Season Timeline** –
        - Partnership – need to submit tax return by March 15th, at that time K1 will be provided to each partner.
        - Personal Tax in the US – should be submitted by April 17th.

    Please note, we have submitted all required files related to all properties to our American accountant. They are currently analyzing the information and getting ready to submit the tax return per each LP.

    - **Quotes from our accountant:**
        - Creating ITIN (US Tax ID for non-American residents) - cost for obtaining each ITIN will be reduced from $75 to $50
        - The cost to file the federal and state personal return with one or two K1's will be $300. Properties are in IL, so tax is submitted at state & federal level.
    - **Accountant contact information** – feel free to contact him and make best decision for your situation:
      Mitchell J. Howard, CPA
      (T) 954.454.1119
      mitchell@mitchellhowardcpa.com

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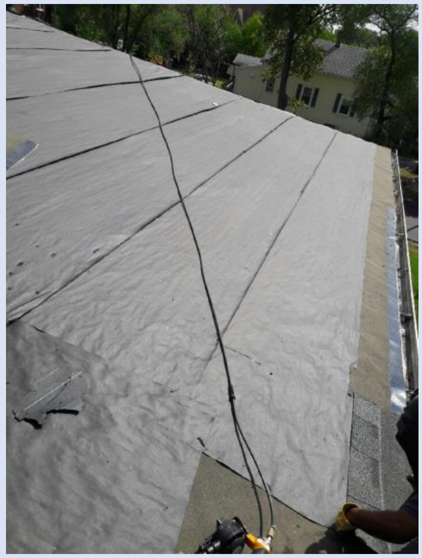
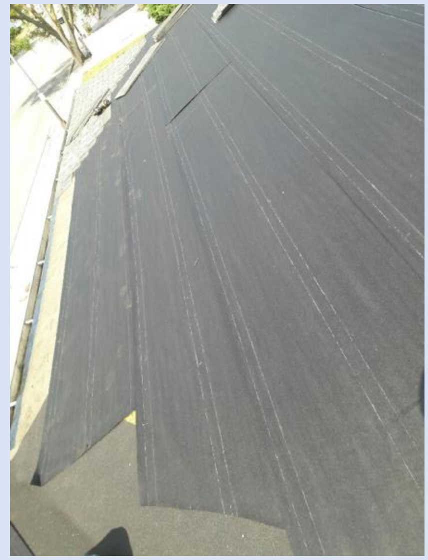
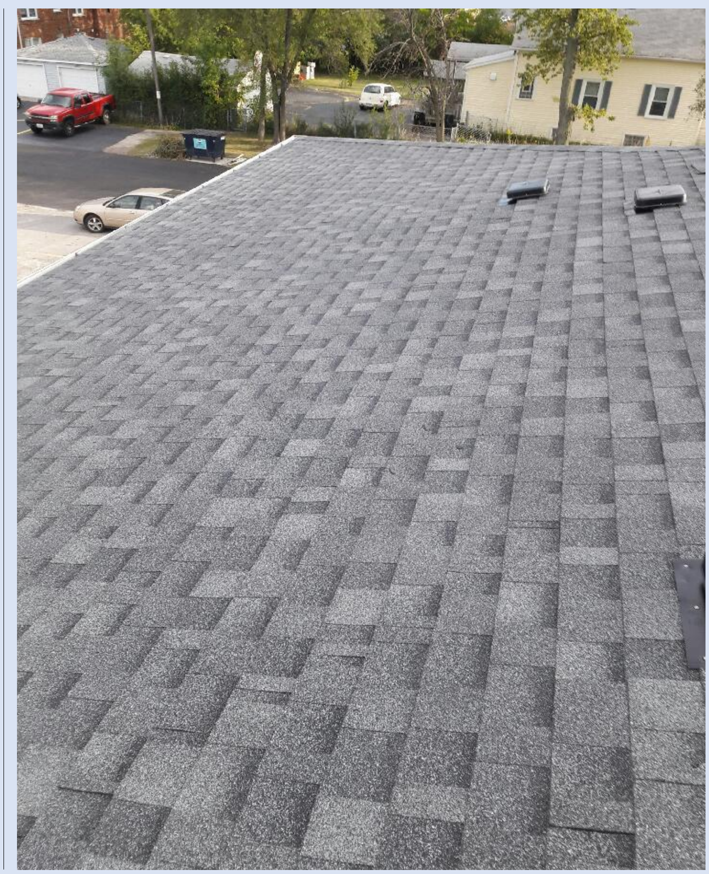
Roof Replacement – Photos from work progress & New Roof:







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