

ASP COMMERCIAL GROUP, LLC



Multifamily Specialist & Asset Management



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ASP Commercial Group (ASP)

OVERVIEW

ASP Commercial Group (ASP) or referred to as “the company” is a Kentucky Limited Liability Company based in Henderson, KY. ASP recently formed to allow equity partners to participate alongside its owners in long term passive income and equity appreciation through the purchase



and management of real estate primarily multifamily housing. Clint Williams its founder has more than 7 years experience in the ownership and management of investment real estate.

The company’s primary objective is to purchase existing apartment complexes in “B” and “C” markets, add value to those properties, increase cash flow then sell or refinance and use the proceeds to leverage into more or larger apartment properties. As of March 2014 Clint Williams’ holding company Allen Scott Properties has 6 multifamily assets in its portfolio.

All of these properties are located in B and C markets in the Western KY area, most are in a revitalization area and set for growth in appreciation. Based on appraisals conducted by the lenders as part of the mortgage process, the current value of the portfolio is \$763,000 and owner equity is \$237,735. This equity takes into account loan depreciation over a 6 year period which is not accounted for in the table below.

Property	Location	Type	Units	Purchase Price	Appraised Value	Down Payment	Total Equity
Mattingly Dr	Henderson KY	C	2	80,000	95,000	10,000	25,000
Mattingly Dr	Henderson KY	C	2	67,000	75,000	13,400	21,400
Mattingly Dr	Henderson KY	C	2	60,000	75,000	12,000	27,000
Elm St.	Henderson KY	B-	3	47,000	55,000	9,500	17,500
Hughes Apt	Owensboro KY	C	12	373,500	385,000	74,700	86,200
Covert Avenue	Evansville, IN	B	2	53,000	78,000	10,600	25,000
Total			23	680,000	763,000	130,200	202,100

THE TEAM

The key to the success of ASP is the acquisition and disposition expertise of Clint Williams and his ability as acquisitions manager to put together a strong team of experts for each investment purchase. Mr. Williams has been actively involved in the real estate business since 2005.

Asp will also be joined by Matt O’nan which will oversee the operations management of the company and has extensive experience in property management and maintenance work. Mr. O’nan’s ability to solve any problems within the property management side is invaluable.

The Team (continued)

Clint Williams who serves as ASP's Acquisitions Manager, has acquired his knowledge through extensive study of real estate investments, with training and certificates that include:

- Contract structures in pre to post sale process (2006)
- Foreclosure & short sale acquisitions (2007)
- Creative finance (2007)
- Private lending in commercial real estate certificate (2012)
- Multifamily analysis & acquisition training (2009) (2012)
- Real Estate Syndication training certificate (2012)

Mr. Williams studies and understands capital and how to structure the use of capital to earn better than average returns for ASP and its partners. He is an expert in evaluating financial information to determine property value for small as well as large multi-family complexes; this helps in making smart decisions when it comes to evaluating properties and makes the loan process easier for financial institutions as well as private investors. He understands real estate law and determining the right entity structure for each individual property.



Matt O'nan who will serves as ASP's operations manager, has more than 7 years experience in the maintenance field of real estate, he worked for Adams Street Development for 3 years which is a property management company located in Henderson KY. During this time he gained valuable knowledge ranging from structural problems, installations, reconstruction, additions to roof replacements. Mr. O'nan knows what to look for and is able to evaluate problems within properties and render solutions quickly.

It is clear that in real estate investment, a key differentiator – and often the difference between success and failure – is the ability to put together a great support team. Using networking contacts, referrals, and detailed research, ASP has put together the top experts in the field including mortgage brokers, real estate brokers, property management companies, real estate attorney's, real estate inspection team, appraisers, and insurance companies.

ASP MANAGEMENT DIVISIONS AND RESPONSIBILITIES

Clint Williams, Acquisitions Manager

Mr. Williams leads the acquisition team which is responsible for all activities leading up to the purchase of a property including:

- Identifying emerging markets for investment
- Finding prospective properties within those markets through field research and or through the company's network of lenders, brokers, property managers or other investors
- Analyzing and verifying the historical and financial information provided by the seller for potential properties
- Creating the initial offer and contract to purchase and handling negotiations to close on the property
- Overseeing the private lending and equity programs for those who wish to invest in a ASP properties and working with lending institutions to securing primary financing if necessary
- Perform all due diligence processes leading up to a purchase



Matt O'nan, Operations Manager

Mr. O'nan leads the operations team which is responsible for all activities that involve ownership of a property including:

- Locating and securing property management companies during purchase process if necessary
- Creating ongoing management goals and strategies as well as ensuring effective marketing plans are being implemented to keep occupancy high
- Managing our property management companies, working with them day to day to ensure the property is operating at peak performance for growth
- To ensure property managers are operating cost efficiently when working with contractors

Investment Strategy

In real estate, it is often the case that larger complexes are less risky and more profitable. More specifically, properties with more units tend to benefit from economies of scale and, in general, generate larger cash-on-cash returns than properties with fewer units. Asp spends time analyzing emerging markets to diversify geographically which in turn helps balance our portfolio while taking advantage of higher growth opportunities.

Unlike residential properties where value is based on comparable properties, commercial multifamily is valued based on the cash flow or net operating income from the property, because of this we can create “forced appreciation” by increasing income. The strategy we in turn are implementing is finding these larger complexes that have low income and need micro-repositionings, then adding value, increasing income and setting the property up for increased value within 3-5 years.



Micro- repositionings are usually small property issues that can make a big difference in cash flow and value that can be handled faster than a full property rehab.

Micro- repositionings include:

- Increasing low occupancy due to poor marketing
- Increasing low rents due to poor management
- Adding low cost amenities to each apartment
- Adding low cost upgrades to each apartment
- Change in management
- Upgrade property signage for marketing
- Fixing deferred maintenance and/or small cosmetic repairs to buildings
- Master-metered properties that can be converted to sub-metered or a bill back system
- Adding income producing services (laundry, vending machines, ect.)



BUYING CRITERIA

The following page includes the criteria used by the company in identifying multifamily properties for acquisition, management and re-sale.

CRITERIA FOR INVESTMENT

ASP looks for high yield income streams.

Various capitalization rates 8+ depending on cash requirements, appreciation potential and property.

Price Range generally: \$1,000,000-5,000,000.

The company will typical use leverage in the form of bank financing and private investors to maximize the property income and returns.



PROPERTY CRITERIA

- Multifamily commercial apartments
- Minimum size 30+ units
- Age, properties generally constructed in 1950+ but preferably properties built in 1980+
- Roofs with pitched construction
- Minimum occupancy: 80%+ however the company will consider lower occupancy if the properties are well located and present value enhancement opportunities

FINANCIAL CRITERIA

Any property being considered for investment by the company must meet at least the following criteria based on actual financial data, not pro-forma data or “after improvement” financials:

- Property must have a Capitalization Rate of 8% or greater
- Property must have a cash on cash return of 12% with annualized return of 15-25%
- Property must have a debt coverage ratio(DCR) of at least 1.6%

These key elements that must be met insure our financial returns at a minimum.

SOME OF OUR PROPERTIES & MARKETS

***(Purchased by Allen Scott Properties, Clint Williams' personal holding company
prior to forming ASP Commercial Group)***

Mattingly Drive 3BD Duplex

Henderson, Kentucky

This duplex property is a class C- asset located in Henderson County in a residential neighborhood just 2 miles from downtown Henderson. This property consist of 2-3 bedroom 1 bath units, the units are very spacious and are have over 1,000 sq ft of living space. The property was built in 1979 by the owner who passed away in early 2000 and which fell in the hands of his widow. She was unable to maintain the up keep on the property and in turn suffered an extensive amount of deferred maintenance. This created an opportunity and is a perfect example; on a small scale of what ASP looks for.

The company; as one of its first projects purchased this property in 2007 at a discount well below replacement cost and market value based on a similar well managed property. The purchase price was \$80,000 with an appraised value at the time of purchase for \$87,000. The company has put in over \$6,000 in capital improvements and in 2010 refinanced while taking advantage of record low interest rates. The banks in house appraisal during the refinance was

\$95,000 with an estimated market value in 2013 between \$95,000-\$105,000.

Allen Scott Properties purchased this property with 10% down or \$8,000 and a total acquisition cost of \$10,436. After 3 ½ years we received back our full acquisition cost from property cash flow. That equates to a total cash on cash return of 33% average during the first 3 ½ years.

The goal for this property has been to hold because of the strong monthly cash flow and finish any capital improvements, letting cash flow pay for these improvements while the market gets stronger and the property continues to appreciate. This asset is set for a 7 year hold with resell in year 2014.



Purchase Price: \$80,000
Appraised Value: \$95,000

Henderson, KY Market

Henderson is a city in Henderson County, Kentucky, United States, along the Ohio River in the western part of the state. The population was 27,952 at the 2010 census and is currently 28,757. It is part of the Evansville Metropolitan Area often referred to as "Kentuckiana", because of its border separated only by the Ohio River; some travelers view it as the "gateway" to the South or Midwest.



The city of Evansville just over the twin bridges from Henderson is the commercial, medical and cultural hub of Southwestern Indiana and the Illinois–Indiana–Kentucky tri-state area. It is the third-largest city in the U.S. state of Indiana and the largest city in Southern Indiana. As of the 2010 census, the city had a total population of 117,429 and a metropolitan population of 358,676. It is the county seat of Vanderburgh County.¹ Henderson has enjoyed a tremendous amount of growth in its infrastructure, schools, services and recreational areas. The Henderson County school system includes

eight elementary schools, two middle schools, and one high school. Henderson is home to Henderson Community and Technical College an institution that provides not only degreed programs but technical training for workforce development.

The county has numerous industries, including aluminum production, automotive and appliance parts, plastic injection molding, tool and die making, food processing and processing of recycled materials. In June 2008, of the 20,205 jobs in Henderson, almost 12% were government jobs. It also ranks as one of Kentucky's top three corn and soybean producers. Henderson is also one of the state's leading coal producers, with over 2.8 million tons produced in 2004.



The blues legend W.C Handy lived for nearly a decade in Henderson before he started writing music. Each year, Henderson honors Handy by holding one of the largest outdoor free concerts in the USA, the Handy Blues & Barbecue Festival.

A few scenes from the movie *A League of Their Own* (1992) were shot in Henderson, including boarding house scenes filmed at 612 North Main St., once the home of Augustus Owsle Stanley, a governor of Kentucky and U.S. senator.



A main attraction in Henderson is the Ellis Park Race Course, originally named Dade Park. The park was built in 1922 by the Green River Jockey Club, made up of the owners of Thoroughbred racehorses. Although Ellis Park is located on the Indiana side of the Ohio River, by an oddity of history, the lands from Waterworks and Shawnee roads in Evansville south to the Ohio River are part of Henderson County. According to the Horseplayers Association of North America (HANA), Ellis Park

ranked 6th of 65 Thoroughbred racetracks, behind Churchill Downs in Louisville, Kentucky as the best wagering opportunity among racing tracks in North America.



Henderson KY has been a very stable market during the recession with unemployment rate being on average $\frac{1}{2}$ point lower than the national average in the last 4 years. The unemployment rate in Henderson, KY, is 8.30%, with job growth of 0.09%. Future job growth over the next ten years is predicted to be 31.88%. With renter occupancy higher in Henderson at 39% than the national average at 29% we have seen the rental rates continue to push to new market highs. The company believes this percentage of renters will increase as banks continue to process their foreclosures which in turn will increase demand for rentals and push the market rents higher for existing rentals. These economic numbers are the type of trends ASP looks for when evaluating and researching potential markets.

Hughes Apartments. Owensboro, KY

Hughes Apartments is a class C asset located in Owensboro, KY about 1 mile from downtown Owensboro in an older working class residential area. The unit mix for the apartments is 8-1 bedroom units and 4-2 bedroom units. The tenants pay their own electric and there is also an on sight laundry facility with maintenance room. The complex was built in the mid 70s and in 2009 over \$80,000 in capital improvements were made including new roof, painted exterior doors, new toilets, new hardwood and tiled flooring throughout all apartments, and new a/c –heating units in the 1 bedroom units.



Our company purchased this property in December of 2011 by a broker; the property had been rehabbed and was listed more than 4 months with 3 deals that fell through previously. We performed our due diligence on the area and property along with financial analysis and a deal was made with favorable terms. We offered the owner an opportunity to become a debt partner or equity share partner in the property, he liked what he could receive as a passive partner with us so he joined.

The property was purchase with 80% bank financing for \$373,500 with the appraisal of

\$380,000. There were two value plays we noticed during our analysis which were below market rents and the downtown revitalization of the city. The below market rents were in part because the owner sold the property before the full reposition was complete, we were then able to come in and increase rents by 5-10% and increase value at the same time within the 1st year.

The next value play is the area of downtown Owensboro, after evaluating the market before the purchase we found there was a plan to expand and revitalize the downtown river front area. Since the purchase we have been proved correct with the major construction of several new projects started in early 2012. This is expected to increase the desire for downtown living and increase value as more people migrate downtown.

Property Description

Units	12		
No. of Buildings	1		
Acres	.24 or 10,600 sqf		
Year Built	1979		
Roof	Shingle		
Construction	Frame		
Exterior	Siding		
Units			
Bedroom	Bath	Quantity	Sq. Ft.
1	1	8	600
2	1	4	750
Totals		12	7,800

Owensboro, Kentucky Market



Owensboro is the fourth largest city by population in the U.S. state of Kentucky. It is the county seat of Daviess County. It is located on U.S. Route 60 about 32 miles (51 km) southeast of Evansville, Indiana and is the principal city of the Owensboro, Kentucky Metropolitan Statistical Area. Owensboro is the second-largest city in the Tri-State region of Illinois, Indiana and Kentucky after Evansville. Owensboro is situated 123 miles north of Nashville, TN; and 109 miles southwest of Louisville, KY and has direct access via highway, rail, river and air. The William H. Natcher Bridge provides a route to Interstate 64 in Indiana. Construction has commenced on the I-69 spur and I-64 / I-65 corridor linking Owensboro to the interstate system. The Owensboro–Daviess County Regional

Airport serves access to the international air transportation system.

The city's population was 57,605 in the 2011 US Census Estimate, with a metropolitan population of 116,030. Since 2000, it has had a population growth of 5.61 percent.

The unemployment rate in Owensboro is 7.00 percent (U.S. avg. is 8.60%). Recent job growth is Positive. Owensboro jobs have increased by 0.15 percent. Owensboro placed 4th on Area Development's Top 20 Southern Cities, with a 9th place ranking for its "Recession Busting" factors among the Top 25 Small Cities. Its three-year employment growth as a percentage of population was 23rd-best among all of the 100 Leading Locations.



The Owensboro area is fortunate to have an excellent hospital that is rated among the top five percent in the nation - Owensboro Health. This organization serves eleven counties in Kentucky and southern Indiana.

The hospital is embarking on construction of a new, \$385 million state-of-the-art facility. Owensboro Health also leads two key initiatives for cancer research in the Owensboro region. Owensboro Health is accredited as a Comprehensive Cancer Center, the highest endorsement awarded to any community hospital from the Commission on Cancer of the American College of Surgeons. This endorsement shows that Owensboro Health provides the highest level of care in the diagnosis and treatment of cancer. Owensboro Medical Health System is the top employer in the city.

Owensboro is on the move!

Owensboro is the industrial, medical, retail and cultural hub of western Kentucky. The City is strategically located on the southern banks of the Ohio River, which provides a majestic backdrop to the ambitious Downtown Revitalization initiative and Riverfront Master Plan. The \$270 million public and private downtown and riverfront investment is in the initial stages with a beautiful river front park, two downtown hotels and a convention center.

Owensboro Convention Center

Western Kentucky's newest, premier meeting space - the Owensboro Convention Center - is a full-service meeting facility overlooking the scenic Ohio River in revitalized downtown Owensboro, KY. The multi-purpose center boasts 92,000 sq. ft of meeting space consisting of a 44,000+ sq. ft. exhibition hall, and 48,000+ sq. ft. of additional ballroom and meeting space. The Owensboro Convention Center is proudly managed by Global Spectrum, a worldwide leader in venue management. The new events center plans to open in January 2014.



The Owensboro Convention Center will provide complete in-house services that include food & beverage, audio visual, internet, electrical and trade show decorating services creating ease and convenience for any event. Downtown Owensboro is currently undergoing some exciting renovations. Old buildings are receiving major facelifts and businesses are relocating to downtown.

ASP Commercial Group is dedicated to the use of real estate investments for the protection, preservation and enhancement of investment capital. Our combination of real estate expertise and multi-disciplined skills with a philosophy of “hands-on management” has produced a company with dedications to quality, innovation and performance which resulted in past successes from its owner and are the foundation upon which we are building a future in real estate investment.

Mission

“To bring small and large investors together so they can achieve the same buying power and benefits enjoyed by larger institutions in the purchase of commercial real estate.”

How can you get involved?

For more information about investment opportunities and the properties ASP currently have under contract, visit www.AspCommercial.com or call (270)860-5929 to discuss your financial goals.

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Come Join Our Private Investor Program

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