

# ARIXA CAPITAL ADVISORS

Fall 2012 Newsletter

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September 2012

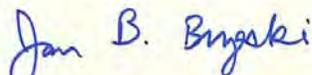
Dear Clients, Friends and Associates,

The spring and summer of 2012 have brought changes to the real estate investment markets that matter to us. Specifically, we are seeing the following trends:

- **Single Family Homes as an Investment:** Intense competition to purchase single family homes, especially entry-level homes in more affordable areas, where large private equity funds are eager to buy homes and operate them as rentals. Rental demand for these homes is high.
- **Renovation and Resale of Single Family Homes:** Continued high profitability for the best “fix-and-flip” operators, aided by low inventory and high demand for completed, newly renovated homes. Many such operators are shifting to more intensive renovations and in some cases, higher price points;
- **Bridge Lending:** More competition and easier lending terms from bridge lenders who provide capital to real estate investors, including (a) businesses that “fix-and-flip” single family homes; and (b) opportunistic commercial real estate investors; and
- **Commercial Real Estate and Apartments:** Surprisingly high prices for many multifamily and commercial real estate assets, driven by interest rates of 4% or lower on real estate loans from banks and government agencies.

To make money in this environment, we are remaining nimble and aligning with the best players we know in the market. As you will see in this newsletter, we are investing actively from our two funds and delivering strong results. In addition, we continue to originate commercial real estate bridge loans and occasional acquisitions on a case-by-case basis (not in a fund format).

Sincerely,



Jan B. Brzeski  
Principal and Portfolio Manager

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**The Arixa Capital Team is Growing**



*The Arixa team from left to right: Kristina Sawyer; Greg Hebner; Michael Schoellhammer; Jan Brzeski; and Kevin Zvargulis*

*Arixa Capital Welcomes Two New Team Members*

Arixa Capital has hired two new professionals to support the company’s growth. Michael Schoellhammer recently became a member of the California State Bar after completing law school and also has experience in the home building industry and an MBA from the UCLA Anderson School of Management. Kristina Sawyer has worked extensively in property management, which is highly relevant to Arixa’s latest fund which purchases homes from banks, renovates and leases them, and operates them as a portfolio for income and capital gains.

*Greg Hebner Joins Arixa Management as Principal*

Greg Hebner has joined Arixa Management, LLC which is the fund manager for Arixa’s residential investment funds. Greg is the founder of Community Rebuild Partners and his team of professionals has successfully purchased and renovated more than 100 homes across the state of California over the past two years.

Greg’s operating platform manages the full cycle of acquisition through renovations of distressed properties. His team has been able to transform properties acquired in poor condition into appealing, design-friendly homes tailored to the needs of today’s families. This addition to the Arixa team provides Arixa Fund II with the ability to purchase homes directly from banks and to renovate them cost-effectively for future Arixa Fund II tenants. These properties will be classified as “company-owned stores” to differentiate them from other homes in the Arixa Fund II portfolio that are owned in partnership with local operators in areas where Greg and his team are less active. Greg will also assist Jan Brzeski with overall strategy for Arixa’s residential funds.

Greg’s experience includes eight years of management of a single family residential rental fund in the Midwest and 10 years of experience in executive positions in the mortgage servicing and real estate industries. Greg earned an MBA at Harvard Business School and a B.S. in Accounting from University of Illinois. His full bio can be found at Arixa’s website, [www.arixacapital.com](http://www.arixacapital.com).

Arixa Management Principal Greg Hebner has purchased and renovated more than 100 properties in the past two years. Pictured below are “before and after” photos of one of those properties, located in Yorba Linda, CA (in Orange County).



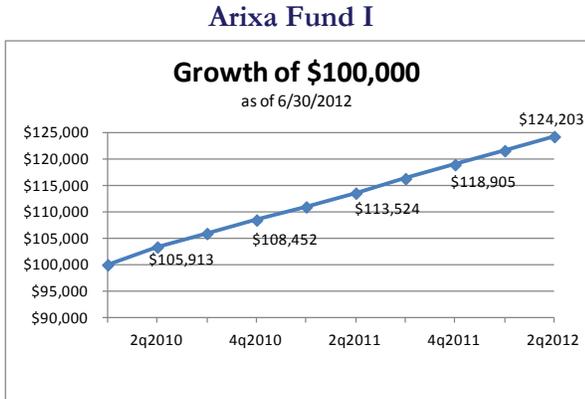
*Before*



*After*

**Arixa Fund I Delivers Solid Performance**

Arixa Fund I has now made more than 70 investments and has recorded 28 consecutive months of positive returns. All 70 of the investments in the Fund have been profitable, including one loan that went into default, requiring us to foreclose, renovate and resell the property. For the quarter ending June 30, 2012, the return was 2.2%, corresponding to an annualized return of 8.8%.



**Arixa Fund II Reports Returns through June 30, 2012**

Arixa Fund II had returns of 9.2% since inception through June 30, 2012, corresponding to an annualized return of 27%. The Fund benefited from purchasing properties for all cash at attractive prices and renovating them cost-effectively, with most of the return stemming from unrealized capital gains with a lesser amount from rental income. Details of the Fund's performance are provided below.

Total Return through 6/30/2012	9.2%
Annualized Return	27.0%
Income Return (Annualized)	2.6%
Income from Operations	\$ 3,791
Unrealized Capital Gains*	\$ 32,432

\*Assumes 8.5% selling cost based on internal estimate of fair market value. External broker price opinions will be commissioned after year-end.

THIS IS NOT AN OFFER TO SELL SECURITIES. IT IS PROVIDED FOR GENERAL INFORMATION ONLY.

**Arixa Launches Asset Management Portal**

We are excited to announce the launch of the Arixa Asset Management Portal. The Portal is available to investors through a secure, password-protected website and provides detailed information on every investment in Arixa Fund I and Arixa Fund II since the inception of each fund. The purpose is two-fold: first, to provide transparency and real-time communications for our investors, to see what we own at any given time, including details such as acquisition costs, renovation budgets, and status of leases with tenants. In addition, the portal provides us with a tool to bring together information from a variety of sources in a single, convenient place. We believe that the Arixa Asset Management Portal provides our investors with a whole new level of transparency and reporting for residential real estate investing and will serve as a foundation for future growth and success of the Company.

**Asset Management Portal**

Management Portal Home Page | Fund II Current Portfolio | Fund II Acquisition Pipeline | Fund II Profile

**ARIXA FUND II: Property Profile**

9840 Cypress Ave, Fontana, CA 92335

OPERATING PARTNER: Landex Inc. OWNER: Miller Homes, LLC

PROPERTY DETAILS			ECONOMICS	
Bed: 3	Bath: 1		Purchase	\$ 107,100
Sq. Ft.: 1316	Year Built: 1952		Repairs	\$ 11,000
Purchase Date	3/8/12		Total Investment	\$ 118,100
Rehab Commence	3/14/12		Rent/Month	\$ 1,450
For Lease	3/20/12		Est. NOI	\$ 12,400
Deposit Held	3/23/12		Est. CAP Rate	10.5 %
Move-In	4/1/12	Est. Value	\$ 160,000	
RENOVATION DETAIL		MONTHLY FINANCIALS		
Renovation Analysis		DUE DILIGENCE FILES		
Before and After Pictures		<ul style="list-style-type: none"> <li>Deed</li> <li>Insurance</li> <li>Lease</li> <li>Underwriting</li> <li>Property Insurance</li> </ul>		

Map: Directions, Search nearby, more. Map Sat Ter Earth

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**New Ohio Shopping Center Bridge Loan**

Together with our client Standard Management Company, Arixa originated a bridge loan in May 2012 on a 100,104 sq ft shopping center located in Cincinnati, Ohio. The borrower is an experienced retail operator who specializes in purchasing retail properties in lower-middle income Midwestern communities. He has a track record of making more than 100 such purchases and we lent to him successfully in 2011 on a similar property. The loan was structured with an origination fee of 3% and an interest rate of 10%. The loan, which amounted to less than 50% of the purchase price, allowed the borrower to close quickly. The borrower intends to increase the property's income through leasing to tenants with whom he has worked repeatedly in the past, and then refinance with a local bank.



*Northpointe Shopping Center, Cincinnati, OH*

6000 WOODMAN RENOVATION

**Arixa Nears Completion of San Fernando Valley Strip Shopping Center Relocation Project**

In addition to Arixa's single family fund investment business and commercial bridge lending program, we occasionally come across a commercial real estate acquisition that really makes sense. The project pictured below, on the northeast corner of Oxnard St. and Woodman Ave. in the San Fernando Valley, was just such a project. When we and our partners purchased the property, the building had numerous code violations and it had not undergone any significant renovation in decades. Since purchasing the building, our team made substantial renovations including the following: (1) new roof; (2) new front and back facades (the rear facade faces the parking lot,

allowing restaurant tenants to present an attractive entrance for their customers); (3) new patio with decorative brick columns; (4) new gated entries to parking lot and trash enclosure, with increased parking capacity; (5) full renovation of apartment on second level; (6) new landscaping and irrigation; and (6) upgraded and split utility services (gas, water, electricity, phone, cable/Internet). The largest vacancy has been leased to Sofi Restaurant which will open a second location there to supplement their long-standing and highly popular location on 3rd Street near Fairfax Avenue in Los Angeles.

**Before**



**After**



*Arixa and our partner redeveloped a 6,800 sq ft retail property on the northeast corner of Woodman Ave. and Oxnard St. in the San Fernando Valley*