# Risks Associated With Investing In Any Investment Opportunity

The following information is not meant to scare you from investing in real estate or other investments but merely to make you aware that there is risk in any investment, real estate or business.

Here are the facts:

**Real Estate Investments:**

The value of property and the corresponding equity of the owners (hereinafter Owners) will fluctuate based on the value of the property and the income the property generates. Though the potential risk of investing in multi-family housing is moderate, Owners can lose some or all of their investment. The property's value and rental income can be affected by many factors, and you should consider the specific risks presented below before investing in this property.

**General Risks Prior to Closing on Real Property:**
**These may include:**

Returns are subject to change due to new discovery, changes in loan terms, occupancy, additional capital investment, owner decisions, and various factors involved in property management. No returns are guaranteed. Potential changes may also affect the feasibility of acquiring this property.

Prior to acquisitions, several costs are incurred to pay for due diligence on real property. The prospective owners agree to utilize their deposits to pay for these costs, though there is no guarantee that the property may close, or the date it will close.

**General Risks of Owning Real Property: All owners will be subject to the risks inherent in owning real property including:**

Each Owner's property values or rental and occupancy rates could go down due to general economic conditions, a weak market for real estate generally, changing supply and demand for certain types of properties, and natural disasters or man-made events.

A property may be unable to attract and retain tenants, which means that rental income would decline.

Each owner could lose revenue if tenants don't pay rent, or if the Owners are forced to terminate a lease for nonpayment. Any disputes with tenants could also involve costly litigation.

A property's profitability could go down if operating costs, such as property taxes, utilities, maintenance and insurance costs go up in relation to gross rental income, or the property needs unanticipated repairs and renovations. A negative cash flow may require additional investment from the owners should there be insufficient reserves.

**General Risks of Property Management.** Property values, rental income, and operating expenses could vary up or down depending on the performance and diligence of both on-site and off-site management of the property manager and the accuracy of their financial accounting.

**General Risks of Selling Real Estate:** Among the risks of selling real estate investments are:

The eventual sale price of this property might differ from its estimated or appraised value, leading to losses or reduced profits to each owner.

Because of the nature of real estate, the Owners might not be able to sell a property at a particular time for its full value, particularly in a poor market. This might make it difficult to raise cash quickly and also could lead to Owner losses.

**Risks of Borrowing:** Among the risks of borrowing money and investing in a property subject to a mortgage are:

The owners may not be able to make the loan payments, which could result in a default on its loan. The lender then could foreclose on the underlying property and Owners may lose the value of its investment in the foreclosed property.

If the Owners obtain a mortgage loan that involves a balloon payment, there is a risk that the Owners may not be able to make the lump sum principal payment due under the loan at the end of the loan term, or otherwise obtain adequate refinancing. The Owners then may be forced to sell the property or other properties under unfavorable market conditions or default on its mortgage.

**If the Owners take out variable-rate loans, the Owner's returns may be volatile when interest rates are volatile.**

**Regulatory Risks:** Government regulation, including zoning laws, property taxes, fiscal, environmental, capital gains or 1031 exchange treatments, or other government policies, could operate or change in a way that hurts the Owners' property. For example, regulations could raise the cost of owning and maintaining properties or make it harder to sell, rent finance or refinance properties due to the increased costs associates with regulatory compliance.

**Environmental Risks:** The Owners may be liable for damage to the environment caused by hazardous substances used or found on its properties. Under various environmental regulations, the Owners may also be liable, as a current or previous property owner or mortgagee, for the cost of removing or cleaning-up hazardous substances found on a property, even if it didn't know of and wasn't responsible for the hazardous substances. If any hazardous substances are present or the Owners do not property clean up any hazardous substances, or if the Owners fail to comply with regulations requiring it to actively monitor the business activities on its premises, the Owners may have difficulty selling or renting a property or be liable for monetary penalties. The cost of any required clean-up and the Owner's potential liability for environmental damage to a single real estate investment could exceed the value of Owners' investment in the property, the property's value, or in an extreme case, a significant portion of Owner's assets.

**Uninsurable Losses:** Certain catastrophic losses (e.g., from earthquakes, wars, terrorist acts, nuclear accidents, floods, or environmental or industrial hazards or accidents) are uninsurable or so expensive to insure against that it doesn't make sense to buy insurance for them. If a disaster that we haven't insured against occurs, the Owners could lose both its original investment and any future profits from the property affected. In addition, some leases may permit a tenant to terminate its obligations in certain situations, regardless of whether those events are fully covered by insurance. In that case, the Owners would not receive rental income from the property while that tenant's space is vacant.

**Risks of Developing Real Estate or Buying Recently Constructed Properties:**

If developing real estate, there may be delays or unexpected increases in the cost of property development and construction due to strikes, bad weather, material shortages, increases in material and labor costs or other events.

Because external factors may have changed form when the project was originally conceived (e.g., slower growth in local economy, higher interest rates, or overbuilding in the area), the property, if purchased when un-leased, may not operate at the income and expense levels first projected or may not be developed in the way originally planned.

The seller or other party may not be able to carry out any agreement to provide certain minimum levels of income, or that agreement could expire, which could reduce operating income and lower returns.

**Appraisal Risks:** Real estate Appraisals are only estimates of property values based on a professional's opinion and may not be accurate predictors of the amount Owners would actually receive if it sold a property. If an appraisal is too high, each Owner's value cold go down upon reappraisal or if the property is sold for a lower price than the appraisal. If appraisals are too low, those who redeem prior to an adjustment to the valuation or a property sale will have received less than the true value of the Owners' assets.

**General Risks of Mortgage Loans:** Owners will be subject to the risks inherent in making mortgage loans, including:

Deterioration in the financial condition of tenants, or the bankruptcy or insolvency of a major tenant, may adversely affect the income of a property, which could increase the likelihood that the owners will default under their obligations.

Since mortgage loans used are usually non-recourse, the Owners must rely solely on the value of a property for its security. The larger the mortgage loan compared to the value of the property securing it, the greater the loan's risk. Upon default, Owners may not be able to sell the property for its estimated or appraised value. Also, certain liens on the property, such as mechanics or tax liens, may have priority over the Owner's security investment.

The owners may not be able to make a lump sum principal payment due under a mortgage loan at the end of the loan term, unless it can refinance the mortgage loan with another lender.

If interest rates are volatile during the loan period, the Owners' variable rate mortgage loans could have lower yields.

**Use of IRA Funds:** The Special Purpose Entity may generate unrelated business taxable income, which is the responsibility of the IRA holder.

I understand the risks associated with investing in real estate or any other investment opportunities offered by the group, in owning and lending on real estate or for other investment purposes and if I choose to invest, it is because I feel the risk is worth the possible rewards for me, and I release RE CAPITAL GROUP AND RE CAPITAL PARTNERS GROUP of any liability associated with my investment activity.

Business Name: ______________________________

Investor Name:_______________________________

Address: ____________________________________

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Tel: ________________________________________

Fax:________________________________________

Name:______________________________________

Title:_______________________________________

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Investor Name:_______________________________

Address: ____________________________________

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