WELCOME HOME

Hearth & Home Renovation and Design, L.L.C.

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ABSTRACT

Hearth & Home Renovation and Design, LLC is a real estate investment, renovation and home design company serving the greater Nashville market. Hearth & Home acts primarily in the following three industries: real estate, flipping/renovation, and design. Through synergistic actions across all of these industries, Hearth & Home delivers superior customer value to home-buyers. Hearth & Home has identified several strategic competitive advantages which are found through key partnerships, design and brand equity. Key partnerships will lead to mutually beneficial cost efficiencies. Design will create distinction and opportunities to retain customers longer than competitors. Brand equity will be built through a sophisticated content-driven marketing campaign; these marketing efforts address a gap in the market and serve as a differentiator among competitors. Through each step of the process, the Hearth & Home brand represents superior quality. This is recognizable not only in the quality of construction and design efforts, but also in the customer service delivered during each and every interaction.

INTRODUCTION

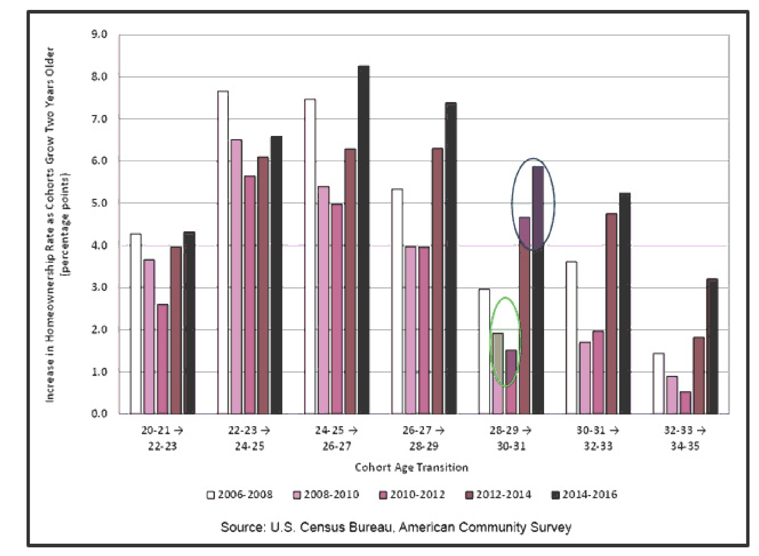
At a time when Chip and JoAnna Gaines are seemingly taking over the world, investing in old properties and flipping them for profit has never looked more appealing to the masses. However, many who enter this market quickly realize there is much more to a successful flip than is commonly shown on television.

As a child I grew up watching HGTV, pre Fixer-Upper era, and was always drawn to the process, design and transformation depicted in the shows. From an early age, I found great value in old structures and the stories they held. I still love when old pieces are given new life and a natural place in the present.

Hearth & Home, Renovation and Design, L.L.C. is the place where my creative ambition was channeled through a business lens. By harnessing an eye for design and the foundational business education provided by the Haslam College of Business, I worked to develop a business plan that would be able to enter the diverse, competitive market, create value, and sustain growth in the future.

MARKET TRENDS

- Properties across the nation selling 8% faster than the same time last year.
- Median listing price in the U.S. (hovering around $275,000) showed a 10% increase year over year.
- "The most recent projections from the census have the population of the United States growing from 319 million in 2014 to 417 million by 2060. This will require 38 million additional housing units. Demographic growth is expected to be relatively faster in the short run, increasing by 2.68 million people a year between 2014 and 2020, when the US population is projected to reach 334 million (Colby and Ortman) ."
- Millennials are finally entering the housing market
- Nashville has been consistently recognized as one of the most desirable and fastest growing cities in the country
- PricewaterhouseCoopers (PWC), projected 20,000 people in annual net migration to Nashville over the next five years.



Acceleration in Millenial Homeownership Attainment during the Econmic Recovery

FINANCING

FIX & FLIP LOANS:

- Quick closing times, few construction restrictions and shorter terms.
- Movement from offer through closing in as little as a week, verses traditional mortgages which can take a month or more to get through the process.
- Extended based on the purchase price, renovations, and potential resale.
- Despite higher interest rates (7-12%), they oftentimes do not penalize borrowers for early repayment like many traditional mortgages do.

FHA LOANS:

- These mortgages are backed by the Federal Housing Administration (FHA) and often have the lowest mortgage rates on the market (3.25% for a 30-year fixed rate).
- FHA mortgages include minimal down payment as well as low credit score requirements.
- Do not have prepay penalties, making them suitable options for residential flips.

Small & Mighty - FHA					
Owner Funds	$ 50,000.00				
Owner Investment	$ 48,301.95				
70% Rule Check	$ 142,000.00				
Cost of Home	$ 100,000.00				
Down Payment (8%)	$ (8,000.00)				
Mortgage	$ 108,000.00				
Category	Month 1	Month 2	Month 3	Month 4	Month 5
Acquisition	-	-	-	-	-
Property	($100,000)	-	-	-	-
Closing Costs	($3,000)	-	-	-	-
SUBTOTAL	($103,000)	-	-	-	-
Expenses	-	-	-	-	-
Renovations / Repairs		($10,000)	($10,000)	($10,000)	-
Mortgage	($400.39)	($400.39)	($400.39)	($400.39)	($400.39)
Utilities/Trash	($100)	($100)	($100)	($100)	($100)
SUBTOTAL	($500)	($10,500)	($10,500)	($10,500)	($500)
Sale	-	-	-	-	-
Property Sale	-	-	-	-	$160,000
Sales Costs	-	-	-	-	($4,800)
CASH FLOW	($103,500)		($21,001)	($21,001)	$154,199
Project Returns	-				
Profit	$ 8,697.27				
Total Investment	$ 48,301.95				
Project Return	18.01%				
Monthly Return	3.60%				
Market Return Monthly Rate	0.83%				
Mkt.Return for Project Duration	4.17%				

PROJECT TYPES:

Type I: Small but Mighty

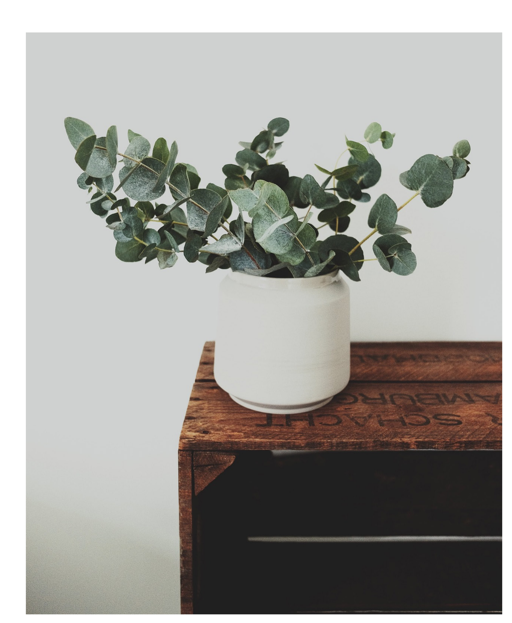
These projects involve non-structural renovations not exceeding 30% of the purchase price of the home and will focus mostly on cosmetic changes to the property. Examples of such changes include: painting (interior & exterior), lighting, flooring, landscaping, hardware updates, new windows, etc.

Type II: Everything inModeration

These projects will be those with a renovation cost less than 60% of the purchase price of the home and include structural remodeling changes. Remodeling activities include moving and updating plumbing and electrical, removing walls, building structural additions, etc. Type II project renovations often require permits, licensed professionals and longer timelines.

Type III: Outright Overhaul

The third type of project will be called Outright Overhauls and will classify projects where renovation costs exceed 60% of the initial purchase price. These projects will include ventures where large structural changes are necessary, significant exterior work or the entire home needs gutted and rebuilt.



MARKETING

Target Customer:

Hearth & Home has identified our target cutomers as home-buyers experiencing discrete life events, such as first time home-buyers or buyers looking to grow their family and adjust their home accordingly.

Channels:

Social media platforms, Facebook, Instagram, LinkedIn, Pinterest, etc. will become primary outlets for communicating with and reaching target customers. Content from Hearth & Home's personal Instagram, Facebook, and Pinterest accounts will also provide links to direct customers to the Hearth & Home website. Another primary marketing avenue, at the core of the business model, is word of mouth marketing. This specific marketing technique is important because it is one of the most trusted marketing strategies and will be executed through client reviews and testimonies, as well as referral incentives.

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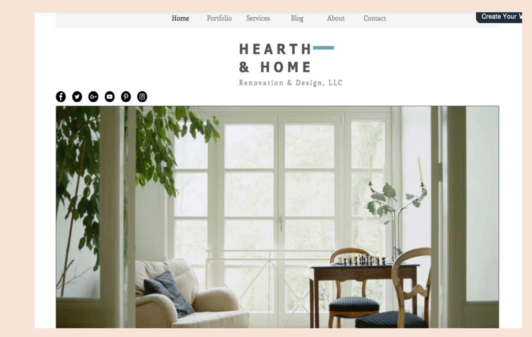

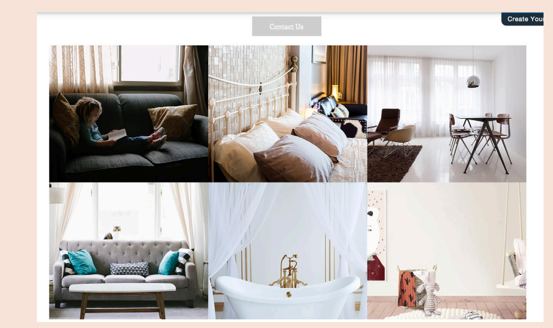

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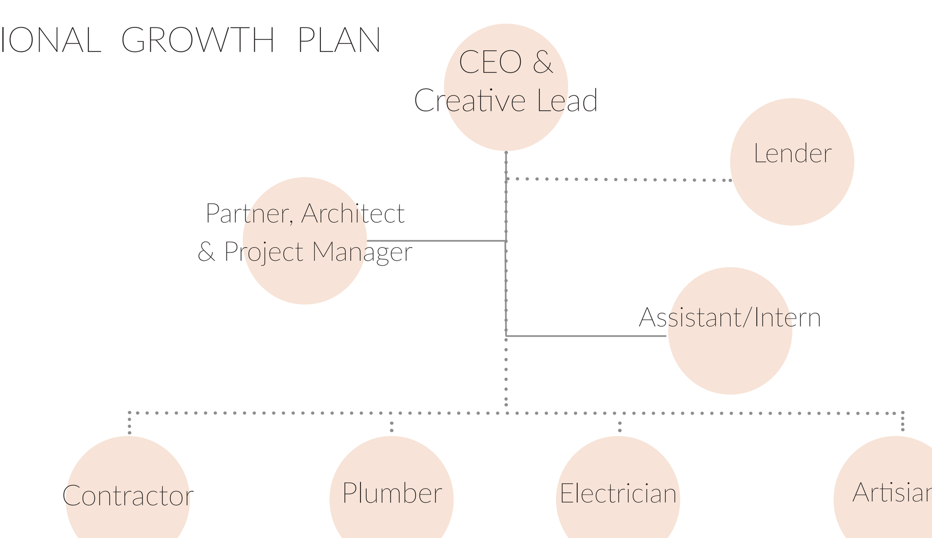
STRATEGY

- Identify highly motivated sellers and create opportunities to buy properties before the masses are made aware
- Look to add value and reduce risk by identifying a buyer before the property is purchased and allow customization throughout the process
- Create a distinct design style that sets the home and the company apart from competitors
- Build key partnerships and reduce material waste

ORGANIZATIONAL GROWTH PLAN
5 YEARS:



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