LYONS
REAL ESTATE FUND

7/6/2022

A note to investors,

Thank you for your vote of confidence in working with the Lyons Real Estate Fund. We feel a tremendous sense of responsibility to be good stewards of your assets. We will be launching our website this week lyonsintl.com that will have regular updates on a project by project basis that I hope you find relevant. I am always available to take your phone call and will provide regular updates as developments occur.

There has been increasing speculation and concern about rising interest rates and the impact that may have on the housing market.

While no one knows the long-term implications of rising borrowing costs, we are seeing some slow down in the volume of homes that are selling and an increase in the number of days on market statistic across the country.

I agree with most economists that housing prices are likely to soften in markets around the country. However, we have targeted two specific cities intentionally because they both have very strong local economies, the projected long term growth rates are staggering, and both lack inventory to meet current demand.

I have asked the two builders, Josh Polliam and Tate Arnold to provide some commentary on their local market. In addition, I have asked Binkan Cinaroglu of Southerby's Realty who sold $188 million last year in residential housing to share his thoughts on the San Antonio market.

Feel free to reach out if you have any questions.

Sincerely,
Fred Lyons

4320 E BROWN RD # 110, MESA, ARIZONA 85205 · 480.459.0300

BINKAN CINAROGLU

Real Estate Consultant

With an unparalleled work ethic and a comprehensive knowledge of San Antonio real estate, Binkan Cinaroglu provides exceptional service to a diverse, international client base. A San Antonio native with Mexican-American roots, Binkan is both bilingual and bicultural, bridging the gap between his clients and their real estate goals. While he lists and sells many luxury properties, Binkan's unique client philosophy centers on unrivaled service that consistently exceeds expectations in all price ranges.

binkancinaroglu.kuperrealty.com

- #1 Ranked Agent By The San Antonio Business Journal For 7 Consecutive Years
- Top 10 Ranked Agent In Texas By Real Trends
- Over $750 Million In Career Sales
- $188 Million Closed In 2021
- $78 Million Closed in 2020
- Successfully Closed More Than 850 Career Transactions

Thank you Fred for the time today and for the opportunity to discuss the San Antonio residential real estate market with your investors. I have been practicing residential real estate for over 12 years in San Antonio and have been fortunate to focus exclusively on the luxury home market. I have watched it flourish and grow into one of the nation's most desirable markets in the country.

I am confident this market will continue to show signs of strength as we navigate the current economic trends. Here are some key points that support that position and why San Antonio, specifically New Braunffels has a bright future:

• In the past year and a half, the San Antonio market did not see the price escalation that markets like Austin did. Many areas in Austin saw housing prices double in a short period of time. San Antonio, averaged a 15% price increase, even with this increase, we continue to be the most affordable big city in the state of Texas and one of the most affordable cities in the country with a population of over 1 million. Our prices increased in a measured way that represents a sustainable general adjustment in the San Antonio housing market. I believe the market will stabilize, prices will likely not advance in the near term but we do not anticipate prices will fall in the luxury home market.

• The rate hike may hurt the sub $1 Million market, making it much less affordable for the average consumer. The luxury market still enjoys high demand. There has been a significant lack of inventory over the last 3 years and this demand has not been satisfied. I believe this demand will hold the luxury market steady and prices will likely increase at historical growth rates of 2% - 3% annually.

• San Antonio has multiple factors that positively affect demand and make our market unique. The last few years Texas has adopted a business friendly climate that has attracted a significant number of large corporations including tech companies, health care and financial services companies. In addition, California residents have been flooding into Texas at a rate greater than 50,000 residents per year. The Mexican National population is always strong and has been growing significantly as the situation in Mexico has deteriorated. Many of these Nationals are bringing their wealth with them to invest in real estate and pay cash for luxury homes in excess of $2 million. Interest rates will not affect this population or their ability to buy luxury homes.

• San Antonio is a highly desirable location due to the beautiful landscape, the proximity to corporate offices and the quality of schools in the area. This quality of life has made San Antonio one of the America's most desirable cities.

• As a presumptive outlook, I expect the 3rd and 4th quarters of this year will be very quiet and slow. We struggle with a lack of inventory to meet current demand. 2023 will likely start slow and start to pick back up in the second quarter of 2023.

• Overall, the population increase and a high appetite for San Antonio will connote to drive demand. So long as Texas is business friendly, and real estate prices remain affordable at current levels, people will continue to move to San Antonio. Sustainable growth and stable demand will continue to bring buyers to San Antonio and existing home owners will continue to trade up as employers provide additional opportunity for high paying jobs.

• Assuming housing market does slow, this will only add to San Antonio's housing conundrum. If builders limit construction this will only fuel the escalation of prices. This is a good problem for builders as we have seen bidding wars for houses the last two years and homes selling well above asking price.

I am happy to discuss San Antonio at any time. Please do not hesitate to reach out to me with any questions on my cell, I am available 24/7.

BINKAN CINAROGLU
#1 Agent - SA Business Journal, City-Wide
#1 Agent - San Antonio Company-Wide

Josh Pulliam

CEO Pulliam Custom Homes

San Antonio, Texas

Thank you Fred for the time today to discuss San Antonio real estate. We understand there is a lot of talk about a housing slowdown and in some markets a correction. We spend every day talking with professionals in the housing industry; land developers, heavy equipment operators, concrete contractors, framers and trades all along the construction cycle up to the realtors who sell the property.

Based on all those conversations and the opinions of those in the trenches, we remain very confident that the San Antonio market will remain one of the most desirable places to live in Texas and the U.S.. This being the case, we do not expect our market to have a significant correction and still remains an excellent investment opportunity for investors.

The following are some reasons why we are confident in the San Antonio luxury home market:

• The San Antonio market didn't see the escalation that markets like Austin or Phoenix did over the last couple of years.

• Many areas in Austin saw housing prices double. Most of the San Antonio market saw 15%-20% price increase. San Antonio still lags behind most large cities in America in pricing.

• We assume that rates will increase and there will be a lull in the entry to midrange home market, homes that are in the $500,000 - $1,000,000 range. We expect the luxury home market above $1 million will hold steady with a 2%+ price increase.

• Many of our luxury home clients are relocating from the West Coast or are from Mexico and are cash buyers. These buyers will be less impacted by higher interest rates.

• We are focused on 3-4 communities where buyer demand and sales prices are the highest.

• We feel the end of this year things could slow down and houses may sit on the market for 30 plus days (normal period of time) but will pick back up towards the end of 1st quarter next year.

• The last few years demand has put significant stress on trades and builders. We do not see a "slow down" as a collapse of the market but rather an opportunity to restore a "normal" marketplace. We will continue to thrive in that environment as quality products will rise to the top and discerning buyers will appreciate our craftsmanship.

Thanks, Josh

www.pulliamhomes.com

Tate Arnold

CEO Augusta Custom Homes

Alpine, Utah

Thank you Fred for taking the time to visit about the Utah housing market. Please find my thoughts about our market and where we are headed.

In response to rising interest rates and the concern of a slowing economy, we have already begun making some changes to the types of houses we build and the location of those houses. We believe the lower priced housing market will soften quite a bit as interest rates rise but the luxury home buyer above $1 million will likely remain robust. The following are some of my thoughts on what to expect over the next year.

1. Demand for housing will remain strong in Utah due to the natural birthrate and influx of out-of-state buyers drawn to Utah's "Silicon Slopes."

2. Rising interest rates are pushing down construction costs, which means we can build cheaper and faster. We are negotiating our costs down by 20% on our "sticks-and-bricks" line-items of our budgets. We are already seeing some trades begin to slow due to lack of materials available to the large production home builders. We have been paying a premium to all trades just to get in the rotation. This premium is going away and pricing is getting back to “normal”. We view this as a healthy correction.

4. Mapleton is one of the classic, wealthier cities in Utah, with a higher priced demographic. These buyers are either moving from West Coast cities to relocate with families that are already in Utah or up and coming families that are upgrading from a tract home to a luxury custom home.

5. We are adding some extras to our design to help offset the rising interest rates and add more perceived value to our homes. For example, we are adding bonus rooms above the garage or an apartment option in a basement. These rooms can be used as a classic “mother in law” private suite or an apartment that could be a rental unit with its own private entry.

www.augustabuild.com

6. We have modeled into our proformas a drop in housing prices as much as 20% and are still comfortable with our return on invested capital.

6. We do not know how interest rates will move in the near term, but we are confident in the long term stability of the Utah County housing market. Utah's housing market and growth rate will continue to be one of the fastest growing markets in the nation for next 15+ years according to multiple real estate prognosticators.

7. There is significant pent up demand for buyers that would like a second home or would like to move to Utah but have been waiting due to the increase in real estate prices and the lack of inventory. We see a softening in price as an entry point for this discerning buyer as well.

A drop in demand would get us back to a more healthy long term trajectory. Everyone in the housing and construction industry has been running for the last several years at full capacity. It will be refreshing for all trades and contractors to run at a more sustainable pace. A "normal" pace does not mean we anticipate a housing correction but a slow-down in demand would be refreshing and healthy. We like the way Augusta is positioned in Utah county market going forward and our Mapleton project will perform well.

Thanks, Tate Arnold

UTAH HOUSE PROFORMA			SAN ANTONIO HOUSE PROFORMA	
Mapleton House Projection	**$ Amount**	**% Of Sales Price**	**$ Amount**	**% Of Sales Price**
Sales Price	$1,480,000		$2,100,000	
Land	$380,000	26%	$225,000	11%
Softs Cost	$60,000	4%	$75,000	4%
Sticks & Bricks	$652,920	44%	$1,100,000	52%
Contingency	$40,000	3%	$80,000	4%
Overhead	$50,000	3%	$88,000	4%
Gross Profits	**$297,080**	20%	**$532,000**	25%
Interest Expense	$30,000	2%	$45,000	2%
Sales Expense	$16,500	1%	$16,500	1%
Title Expense	$2,000	0%	$2,000	0%
Development Expense	**$48,500**	**3%**	**$63,500**	**3%**
Net Profit	**$248,580**	**17%**	**$468,500**	**22%**
Equity required	**$500,000**	**34%**	**600,000**	**29%**
Profit Distributions		**ROI**		**ROI**
Investor Profit	**$149,148**	**30%**	**$281,100**	**47%**
Builder Profit	**$99,432**		**$187,400**	
Months to Build	**12**		**15**	
Assumed Interest Rate on Capi	**6%**		**6%**	
Monthly Rate	$2,500		$3,000	