

<p>SiRuDo Realty, LLC 3025 Bull Street Suite 229 Savannah, GA 31405 912-232 8686 www.sirudorealty.com</p>	 The logo for SiRuDo Realty, LLC features the company name in a stylized, overlapping font within a circular frame. Below the circle, the text "SiRuDoRealty, LLC" is written in a bold, sans-serif font.	<p>Quarterly Newsletter March 2013</p>
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Welcome

Dear Clients,

With a brand new year already in full swing, it is expected that such comes with changes that affect the rental market, property values and property management in general.

2013 is no exception to the rule, as you will see from our Quarterly Newsletter.

Both the City of Savannah and Chatham County are preparing to make changes that may affect you as a property owner.

We will follow these events very closely as they continue to evolve and will keep you informed of any and all legal changes as they get implemented and become Law or Ordinance.

For now, we have outlined what we know is being negotiated so that we may assist you with advice on how to adapt to these proposed changes as they become reality.

We have addressed two pertinent issues that we feel are important to you as a property owner: change in County and City property taxes and owner registration for rental properties.

Feel free to contact me by email at ndoms@sirudorealty.com or by phone at (912) 660 5903 for more information or questions.

Best regards,

Nick Doms
Chief Financial Officer

County and City Taxes

Chatham County and the City of Savannah have been in gridlock since mid-2012 about how to distribute future LOST (Local Option Sales Tax) funds in accordance with the latest Census Bureau results of 2010.

The amount to be re-distributed equals around \$600 million and does not solely depends on demographics but also focuses on services rendered.

This is where the shoe no longer seems to fit either one's foot, which is why both parties have now brought their differences to Superior Court for a judge to decide how the pie gets divided and who gets which slice.

Why is this important to you as a property owner?

Whatever the judge's decision may be, both parties are already calculating and proposing a property tax increase to compensate for whichever portion of LOST revenue is lost (no pun intended).

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A decision is expected to be announced late March, which will be final and cannot be appealed by either party.

Based on available information and after reviewing both proposals from County and City, we believe that the City of Savannah will lose the case in Superior Court, which would reduce the City's annual revenue by \$12 million.

Stephanie Cutter, Acting City Manager, has announced that should this be the case that property taxes within City limits would have to be raised by 6% to 26% through rate increase rather than value increase.

Needless to say that property owners are very concerned about the pending tax increase given that fact that most owners voted in favor of LOST (annual penny sales tax implemented in 2006) in exchange for property taxes to remain unchanged and stable during the 10-year LOST collection.

That promise is now on the verge of being broken and the explanation given is the financial and economic crisis that caused a steep decline in collected LOST revenue since 2008.

Whatever our personal and professional opinion may be about the reasoning behind raising property taxes, we feel it to be more constructive if we can assist you in preparing for upcoming tax burden on your rental properties.

It would be easy to advise you to simply raise the rental price by an equal percentage to offset the additional tax burden, but in a competitive market such may not be as attractive as it seems.

Instead, we would like to open a dialogue with all of you and propose a solution based on your individual properties, current pricing, competitiveness and services offered to derive a comprehensible rate increase while keeping your property fully occupied.

We can also offer a plan that would gradually be implemented as existing Lease Agreements come up for renewal or new Lease Agreements are being prepared.

Our main goal is to incorporate the tax increases with the inflationary cost of living without exceeding the acceptable 5% or 6% annual increase as well as to retain existing residents and attract new residents without losing our competitive edge in the marketplace.

Please feel free to contact either tdoms@sirudorealty.com or ndoms@sirudorealty.com with any questions or concerns regarding this upcoming change so that we may assist you where possible and can jointly decide a course of action that is suitable to your needs and expectations.

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Rental Property Owner Registration

City Council continues to work on a proposal that would require all owners of rental property within City limits to register with the City of Savannah.

The initiative started about two years ago and is spearheaded by Councilman Tony Thomas based on frequent and repetitive City Ordinance violations by self-managed properties of out-of-state Landlords that cannot be contacted or do not remedy the violations.

The proposal would include all rental properties that are not owner-occupied including those managed by a licensed Property Management Company such as ourselves.

The registration will be accompanied by a flat administrative processing fee and will have to be renewed annually in order to be in compliance.

Said annual fee has yet to be determined but is expected to be minimal.

That is obviously something that SiRuDo Realty can do on your behalf and we will let you know in due time whether such registration requires any specific signed documents.

What remains to be seen however is whether or not the City intends to request estimated annual rental income for each registered property and whether or not City Council or the City of Savannah intends to levy an occupation tax, similar to the current hotel tax.

The idea is not as strange as it may sound given that we have witnessed a change in the rental market over the past 5 years and certainly since the beginning of the housing market collapse in 2009.

Many property owners and specifically the condominium owners have transitioned their properties from the housing market to the rental market targeting tourists for short-term stays or expatriates for long-term stays thereby directly competing with hotels and long-stay inns.

Both hotels and inns are mandated to levy an occupancy tax payable to the City of Savannah.

In light of this and given the current shortfall in Local Option Sales Tax or any and all derivatives thereof (SPLOST and E-SPLOST), we envision that the City of Savannah may pursue taxing rental income going forward.

We believe that such will be negotiated once the mandatory registration process becomes law and all rental properties have been clearly defined and documented.

For the time being, we want you to be aware of the pending registration process and we will inform you once we are notified as a Property Management Company.

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