



## **Black Swan Advisors**

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### **About Black Swan Liquidity Fund 1**

#### **Business Plan Objectives**

Black Swan Liquidity Fund 1 (BSLF 1) has been organized to invest in/take advantage of distressed pricing of real estate assets in the late 2008/2009 worldwide liquidity crisis. This distressed pricing reflects a substantial re pricing of risk around the globe. As the central banks insert liquidity to avoid a market meltdown, they are setting the stage for some dramatic inflation in the years ahead, which will benefit real estate.

BSLF 1 has determined that a smaller residential asset strategy is the safest at this time, with increases in the scale of investments as a general economic recovery becomes clearer. BSLF 1 will keep its maximum investment at \$5 million, with most investments in the \$1 to \$2 million range. BSLF 1 feels that this asset range will allow it to achieve early returns of 30% + at the asset level. There will be no land investments unless there is an opportunity for changed land use without significant time or market risk. To carry out this strategy BSLF 1 will be buying assets from financial institutions, both defaulted notes and REO.

Early investments will be made in only the 5 western states of California, Arizona, Nevada, Oregon, and Washington, staying in the high job growth submarkets.

This substantial distressed pricing will last for only a limited time, as new investors will enter the market and drive up prices. Therefore, BSLF 1 intends to stay fully invested for only approximately 3 years, and then disinvest so that the fund substantially completes its strategy by the end of the 5<sup>th</sup> year.

BSLF 1 feels that the substantial financial distress of late 2008 will result in significant government intervention, especially from the newly elected Democratic congress and Presidency. Thus far over \$2 Trillion in worldwide liquidity has been added to help the financial sector in particular. As has been the pattern over the last 50 years, Democrats are expected to use the US housing industry to help revive the

economy as a whole. They will likely do this through direct aid to homeowners, provide incentives to buy new homes, and add more assistance to the mortgage market. All of these activities should return liquidity to the residential real estate market and provide a substantial lift to asset prices. Given the need to revive the US economy quickly, programs can be expected to yield results by mid 2009.

### **Capitalization**

BSLF 1 will have a maximum Members Interests of \$25 million, with maximum leverage of \$10 million. Member's interests will have a minimum of \$15 million, as provided for in the Operating Agreement.

Members will receive a cumulative 8% preferred return on the investment. Following the payment of all preferred returns, profits will be allocated 70% to investors and 30% to the Manager. When all Members capital has been returned, profits will be allocated 60% to Members and 40% to the manager. Other than providing for working capital, all earnings will be distributed each year.

### **Organization**

Black Swan Liquidity Fund 1 is a Delaware LLC, organized in September, 2008.

### **Membership**

Membership in BSLF 1 will be limited to Accredited Investors, with a minimum investment of \$250,000. If you are interested in additional information on BSLF 1, please contact Charles McLaughlin at the above email address or phone number.

Initially BSLF 1 has filed in 8 states for appropriate securities exemptions. Therefore, only residents from the following states may apply at this time as Members: California, New York, Connecticut, Arizona, Wyoming, Illinois, and Nevada.

The principals of BSA have invested \$250,000 as the initial Class a Member.

### **Disclosure about Investing In BSLF 1**

This is not an offer to sell any interests in BSLF 1. Such an offer can only be made to qualified Accredited Investors through a properly documented Private Placement Memorandum. Parties interested in becoming a Member (as that term is

defined in the PPM) should contact Charles J. McLaughlin at the above email address or phone number.

## **Management**

BSLF 1 will be organized and managed by Black Swan Advisors, a California LLC organized for this venture in 2008 (BSA).

BSA and BSLF 1 have been organized by Charles McLaughlin, a 35 year veteran of the real estate industry. Mr. McLaughlin has been a developer and investor in single/multi family projects, office buildings, neighborhood retail, and residential land development. Mr. McLaughlin has also served as a federally appointed Chapter 11 bankruptcy trustee and was President of a public REIT.

Over the past 3 years McLaughlin has extensively researched the US public homebuilding industry as a guide to his personal equity investing, exclusively from the short side. His research has included mortgage companies, REITs, investment banks, and the status of the US banking industry as a back ground for the real estate markets. McLaughlin acted as an advisor to a major hedge fund which was acquiring Credit Default Swap positions on the major real estate companies, including homebuilders and mortgage companies. Mr. McLaughlin's research is published and available on the BSA website ([www.blackswanadvisors.net](http://www.blackswanadvisors.net)).

McLaughlin disposed of all of his real estate holdings in 2005/2006 and currently has no other real estate interests (other than his primary residence).

He graduated from Notre Dame and Harvard Business School.

BSA is in the process of building a team of professionals with skills suited to distressed asset investments. BSA will focus on individuals well versed in market research and IRR sensitivity in addition to real estate transaction experience.