Zeiger Inc. Prospectus

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May 26, 2019

Premise:

Providing people of all capital capacities the ability to invest in real estate through bundled loans to house flippers packaged into notes that yield competitive rates with mitigated risks

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1 Team

Richard Gayler: Raised in Pittsburgh, PA, he now resides in Los Angeles, CA after graduating from Yale University '18. Has experience structuring optimized microfinance loan packages and performing analysis of large data sets with Stata, as well as took a variety of macroeconomics, game theory and MBA courses.

Steven Petteruti: From East Greenwich, RI, lives in Boston, MA, and graduated from Harvard University '17 where he received his BA in Applied Math. Cofounder of real estate tech startup Doorbell, a software platform connecting residents in apartment buildings. As of June 2018 has 12 partnered buildings and $500k annual recurring revenue.

2 The Problem

Presently, flipping real estate requires significant capital, expertise, and time. It exposes the investor to property-specific and market-based risks. These factors combine to create a significant barrier to entry for the individual and make flipping a single home a perilous proposition out of reach for the prudent investor.

3 Our Solution

Zeiger Inc. offers an investment vehicle that ameliorates these issues while still yielding attractive returns. By grouping individuals' funds into loans to veteran flipping teams, people of all capital and experience levels can passively invest in flipping homes. The flippers operate in high yield, low volatility markets, targeting single family homes from distressed sellers in B & C class areas. These homes are acquired quickly for far below market value and are renovated for durations significantly shorter than the industry average. Our primary flipping team maintains permanent property scouts, subcontractors and a certified realtor for lower closing costs as they flip over ten properties concurrently. Finally, they offload these turnkey properties onto an extensive network of cash buyers, taking an average of just over a week to close.

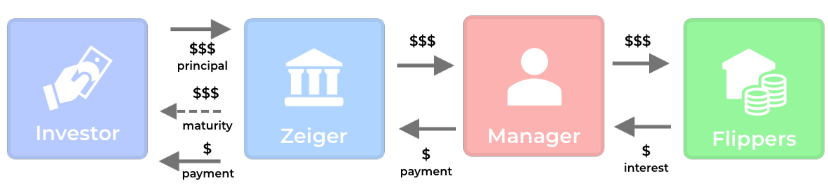
4 Overview

Zeiger Inc. offers notes that bear interest at a rate commensurate to the underlying real estate investment – loans provided by our operations manager to primarily Alabama-based house flippers. Rather than going through traditional hard money lending, our partner provides contractually-secured personal loans to teams of veteran house flippers. The loans use a simple structure, neither requiring a down payment nor charging points, instead using a flat interest rate paid on a monthly basis with an average loan term of 3 months. This solution allows the flippers to allocate funds seamlessly across projects without lengthy approval processes and operational restrictions mandated by traditional channels. Interest is then passed on monthly to investors with the principal included in the final payment.

4.1 Sample Strategy

A sample of the strategy employed by our primary flipping team consists of the following:

1. In low cost of living areas based around Birmingham, Alabama
   (a) A regional property market sheltered from exogenous volatility
2. Targeting single family homes in B & C class areas
   (a) Market values between \$60k and \$120k
3. Targeting distressed sellers to acquire properties for far below market value
4. Use a value-add renovation strategy to make clear improvements on dilapidated properties
   (a) Aiming for 60-70% increase in the property's after-repair value
5. Take under 3 months to acquire, renovate, and offload
6. Offload quickly and immediately redeploy funds to other properties



Cashflow Diagram

5 Competitive Advantages

Our teams have multiple competitive advantages over other operators in their local market. Many of the benefits stem from renovating 10-12 properties simultaneously which introduces numerous economy of scale advantages. They are able to consistently employ subcontractors and schedule them smoothly between properties to decrease the overall carrying duration. They are also able to locate unlisted properties due to hiring full-time door knocking canvassers and phone banking cold callers as well as use targeted digital ads on Facebook and other platforms.

During renovation, they leverage their operation's size to acquire consistently heavily discounted materials. Their renovation time-frames are shorter than competitors as they typically take up to 10 days to purchase, 30-45 days to renovate, and 10 days to offload the completed property. This results in an average duration for a flip of under 3 months – far less than industry averages. As their debt servicing is time-sensitive they are incentivized to manage the operation as efficiently as possible to minimize their capital costs. The nature of their funding also reduces their capital restrictions giving them leeway not afforded to other flippers that primarily utilize hard money loans. This decreases operating frictions and allows for more streamlined execution across properties. It also enables them to close on properties quickly and smoothly, without funding hiccups or delays present with hard money lenders.

Offloading so many properties each year allows the team to build relationships with local real estate investors looking for turnkey rental properties. Consequently, they are able to notify their network prior to conclusion of renovations and sell the property extremely quickly. Also, since they have a licensed realtor heading the team, they minimize the time and cost to close, consistently offloading homes in under 10 days and saving 3-6% of the property's value in transaction fees on both sides. This team of experienced full-time professionals manages an incredible turnaround time, often taking as little as 45-55 days as compared to the 70-80 days they needed while previously utilizing hard money lending. Finally, they benefit from being in a local market full of consumers and lacking producers – they are the only major renovation operation in their area and as a result can acquire the best deals first.

6 Protective Mechanisms

All invested funds benefit from three safety mechanisms:

First, the flippers' sole responsibility is to repay the interest and principal of their loans. Because the loans dispensed are for cash allocated across many flips simultaneously, any loss on an individual flip is absorbed by the respective flipping team, not the lender. This is one of the primary benefits of this segmented investment vehicle, as investors are protected against unpredictable and uncommon property-specific losses.

Second, our partner that manages the dispensing of the loans personally insures all the funds that pass through his jurisdiction. He has maintained long-term relationships with the flipping teams he services. As a result, he has witnessed their processes and is in the best position to evaluate the existent risks. Our partner, who is a successful real estate investor himself, personally insures 100% of all our invested funds, with the insurance being contractually secured by his properties, investments, and liquid net worth. He is willing to do so because he perceives the default risk to be extremely low and thus the cost of providing this insurance to be very small.

In the event our partner welches on this obligation, Zeiger Inc. will initiate a legal process to retrieve the funds. He operates within a legal environment favorable to successful recoupment of these funds and there are prudent contractual provisions included that require him to incur the costs of the litigation process, including all legal fees. Zeiger Inc. has thoroughly investigated the feasibility of this course of action, having consulted with the same local law firm that drafted the manager's promissory notes, and has precautionarily secured their assistance should this course of action become necessary. This insurance and its legal reinforcement provides an unprecedented layer of protection for Zeiger Inc.'s investors against large-scale macroeconomic crises that impact the flippers' abilities to repay the loans in full.

Third, as the underlying loans are grouped together through our manager, they share similar benefits to securities in a tranche. Investor exposure to default decreases as the number of loans issued increases. Therefore, the risk associated with this investment intrinsically decreases as the size of the operation increases. Dispensing loans to multiple flippers introduces an additional financial cushion warding off the potential of default which further protects our investors.

7 Terms

7.1 Payment

Your payment consists of a monthly dividend with the final payment including the principal, provided it is not renewed. For each $1,000 face amount of your notes, you will receive an amount in cash equal to:

1. $15.00 monthly dividend

7.2 Offer Details

1. The notes require any investment to last a minimum term of 6 months with notification 2 months prior to requesting a withdrawal of funds.
    (a) There is no foreseen maximum investment duration.
2. Funds are accepted starting at a minimum investment of $1,000.
3. Monthly interest will be paid in cash or cash equivalents such as via wire transfer, venmo, paypal, cryptocurrency or an otherwise agreed upon payment vehicle.

   (a) Investors have the option to reinvest returns into new notes.

4. Rates of interest dispensed can be adjusted to reflect the underlying loans being redeployed at alternate rates.
5. In the event of a default and recoupment of the funds, the principal will be returned prematurely at the earliest opportunity.
6. In the event of only partial recoupment of funds, investors will be paid out evenly and without preference.
7. Zeiger Inc. reserves without prejudice the ability to return funds at any time, including prior to the conclusion of the initial 6 month period, for reasons related to the viability, legitimacy, or integrity of the business and associated business partners, should any compromising information come to light. This would be implemented solely for the best interests of all parties involved.
8. Funds can be invested indefinitely – there is not a set duration for the lifetime of the notes.

8 Primary Risk Factors

1. **Default Risk**

   In the event that a significant macro-economic crisis causes the flippers to be unable to fully repay their notes, the manager has contractually pledged to pay the full value of the promissory notes and any outstanding interest from his own funds as the investment is underwritten between Zeiger Inc. and the loan manager, not directly between ourselves and the flippers. Our partner is aware of this and is willing to bear this risk himself. Due to the favorable legal environment for enforcement of promissory notes in which the fund manager resides, in the event of a default, the loans will be recouped, partly or in full, at a high frequency.

2. **Market Risk**

   The value of the notes is tied intrinsically to real estate conditions local to the flipping teams. In the event of a calamitous market pullback, the flippers' returns suffer and the risk of default increases. That said, given the flippers operate as qualified local real estate agents, they are among the first to foresee a decline and are able to offload their homes prematurely to an existing network in order to avoid defaulting on their loans.

3. **Retrievability Risk**

   As the volume of loans dispensed grows, our manager becomes less likely to enter into default. However as the obligation becomes larger, his ability and potentially willingness to pay out this offered insurance may decrease. This is not a concern for the foreseeable future but should the total invested funds reach millions of dollars, this would need to be addressed. At the point that this becomes relevant, Zeiger Inc. will pursue employing professional insurance providers and debt collection services to ensure our investors are protected.

9 Qualifiers

1. **Due Diligence**

   The necessary due diligence has been done to confirm the validity of the manager's financials and flippers' projects. We have confirmed that the flippers' returns are comfortably able to repay the rates charged by the manager without issue. As a result, each node upstream functions legitimately and Zeiger Inc. can reliably pay out our investors.

2. **All Funds Invested**

   100% of all funds received will be invested into loans to the flipping teams.

3. **Success of Investment Independent of Amount of Funds Raised**

   Despite our targets for raising funds, there is no minimum amount of investment necessary for our business to function as the processes are already in motion.

4. **History**

   One of our co-founders has already personally invested in these flipping teams and has been receiving interest payments since the beginning of 2019. The pipeline providing loans to the flipping teams has been operating without issue for the past 18 months and the primary flippers have been operational for much of this decade.

5. **In Event of a Housing Market Recession**

   Success of the venture is not dependent on a bullish housing market. A value-add oriented house flipping business, while not able to maintain high debt servicing, actually has more opportunity in a bear market albeit via loans at lowered interest rates.

10 Analysis

Let's consider a one year analysis of the note. One of two outcomes are possible:

1. The loan accrues interest at the prescribed 18% per year rate until maturity is reached
2. The loan defaults and a percentage of the funds is (potentially) recouped

We can estimate the value of the note by determining the default frequency. In the event of a default - the value of the note is not zero, but rather is proportional to the value of a successful litigation. That is there are two random variables that need to be estimated – the default frequency, $p_{default}$, and the investment recouped given a default, Y_{recoup}. We can compute our average ROI as follows:

$$\overline{ROI} = (1 - p_{default})Y + \bar{p}_{default} \cdot \bar{Y}_{recoup}$$

We can adjust this formula to distribute the defaults over a monthly basis:

$$\overline{ROI} = (1 - p_{default})Y + 12 \cdot \bar{p}_{default}^{\frac{1}{12}} \cdot \bar{Y}_{recoup}$$

Note that the returns can be slightly magnified by reinvesting the monthly dividend.

10.1 Results

Partner Default Rate \ Percent recouped	0%	25%	50%	75%	100%
0%	18.00%	18.00%	18.00%	18.00%	18.00%
2%	15.95%	16.47%	16.98%	17.49%	18.00%
4%	13.86%	14.91%	15.97%	16.98%	18.00%
9%	8.46%	10.93%	13.34%	15.96%	18.00%
13%	3.95%	7.63%	11.20%	14.65%	18.00%
16%	0.43%	5.09%	9.57%	13.86%	18.00%

Using this matrix we can compute average ROI's for a given default rate and percent recouped during litigation. The darker cells represent less likely scenarios - with the most likely result highlighted - an average ROI of 15.96% per year. These figures represent dividends not being reinvested.

It's also worth noting that a discerning hard money lender can control annual flip defaults to be in the low single digits. Given that losses on individual flips are absorbed by the flippers and default only occurs in the event of many successive failed flips, it's quite possible that the actual default rate approaches 0%. The above table includes the most pessimistic circumstances, with default rates as high as 16% provided as a very conservative upper bound. By packaging the loans in this way, we greatly reduce the global default rate seen by our investors and anticipate a very low default rate.

11 Conclusion

Through leveraging a network of professionals, we have created a novel investment vehicle that ameliorates the traditional issues posed by flipping houses. Our flipping teams enjoy numerous competitive advantages that allow them to consistently provide strong returns on a large scale.

By shielding the investors from individual losses on flips and having our partner insure the principal, we are able to offer an investment with an attractive risk-reward payoff in an ordinarily unreliable asset class. Ultimately, investors are exposed to the unlikely default by our partner or the flipping teams. However, we have completed the due diligence necessary to ensure that the partners and underlying processes are operating in legal environments conducive to successful recoupment of funds. Further, we have established the protections necessary to initiate successful recoupment and are prepared to follow through with litigation in the unlikely event it is necessary.

The matrix prior demonstrates that the risk-adjusted anticipated returns exceed typical expectations for other investment vehicles with a ceiling of 18% annually. With a long-run expectation of just under a 16% annual return, actively utilizing funds to generate value through tangible assets makes an attractive proposition, especially during a time when equity markets' futures are uncertain at best.

Going forward, we will find, vet and partner with additional flipping teams to add to our network and explore both providing the loans and insuring them directly. For now these notes are our sole offering.

After thoroughly investigating the legal and operational viability of this offer, were proud to provide you the ability to safely invest in this opportunity and hope to speak with you further.

Sincerely,

Richard Gayler and Steven Petteruti

11.1 Disclaimers

1. The offering is made in reliance upon an exemption from registration under the federal securities laws provided by Rule 504 of Regulation D as promulgated by the United States Securities and Exchange Commission under the Securities Act of 1933, as amended (the Securities Act or the 1933 Act). There is currently no public market for our securities.

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