



Hawthorne Capital

— Predictable passive income
backed by Texas land

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I started Hawthorne Capital to build and protect my own wealth, and that goal remains the same today. I am proud to be one of the company's largest investors.

A good partnership is one where everyone wins together. When you partner with us, you won't find any hidden fees or complex structures. Our returns are created through real profits and not financial engineering.

I am privileged to partner with you and want to thank you for considering Hawthorne Capital for your investment needs.

A handwritten signature in black ink that reads "Doug Smith". The signature is fluid and cursive, with the first letters of "Doug" and "Smith" being capitalized and prominent.

Founder and CEO

About Hawthorne Capital



Who are we?

Hawthorne Capital is a **Houston-based private equity firm** that pairs Doug Smith's funds with those of other investors to purchase, subdivide, improve and sell tracts of rural Texas land.

We will often purchase a tract of 100 to 500 acres that is located about an hour outside of a major metro area like Houston. We subdivide it into ranchettes of 10-15 acres each and sell those to people who seek a rural lifestyle.

Our unique business model is generating **predictable passive income** for our investors. Investments are backed by tangible assets, and returns are mirroring the stock market's long-term trend but without the volatility.

Our executives and advisors have well over 100 years of combined real estate investing experience, and our company has sold over \$100M worth of rural land across over 6,500 acres.



#1
TEXAS REAL
ESTATE

#7
ALL TEXAS
COMPANIES

#81
ALL U.S.
COMPANIES





Our Core Values

- 01 Utilizing honest and ethical business practices
- 02 Making calculated investments that improve the welfare of investors
- 03 Embracing a sense of optimism and possibility
- 04 Supporting team member happiness and excellence
- 05 Focusing on productivity and attention to detail
- 06 Attracting, developing, and retaining the best talent
- 07 Actively pursuing measurable results to guide our business decisions

Where are we now?



An aerial photograph of a vast rural landscape. In the foreground, a wide, light-brown dirt road curves through lush green fields. The fields are dotted with small, circular patches of dry grass. In the middle ground, a dense line of green trees and shrubs separates the foreground from the background. Beyond the trees, a straight road or highway stretches across the landscape. In the far distance, a flat horizon line is visible under a clear, bright blue sky. A tall, thin tower or antenna is visible on the horizon. The overall scene depicts a peaceful, open rural environment.

Our Properties and Buyers

East Bernard **852 acres**



Sealy **309 acres**



Eagle Lake **205 acres**



What does our land look like?



Cleveland **134 acres**



Canado **117 acres**

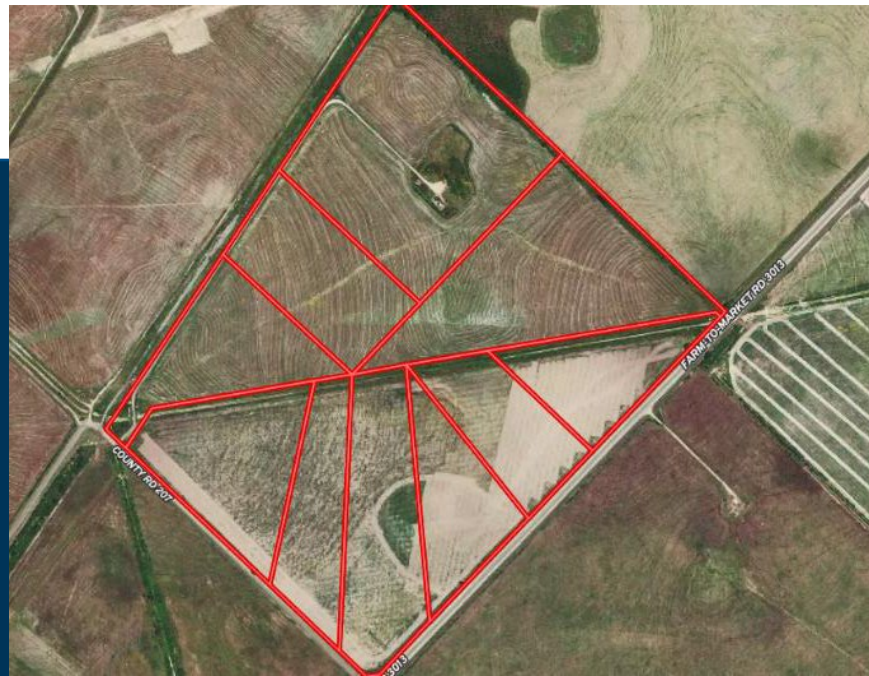


Waller **88 acres**

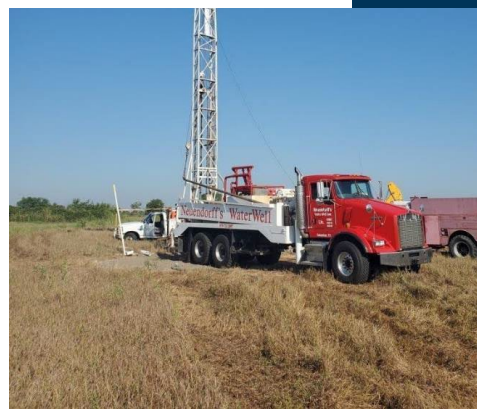
How We Carve Up Our Properties

We typically divide the land into ranchettes that range from 10 to 15 acres each, ensuring that every ranchette has road frontage.

In cases where a portion of the property is difficult to access from the road, larger ranchettes are often sold to farmers or ranchers.



Improvements



We generally make the following improvements to each ranchette to prepare them for our buyers:

- Electric meters
- Gates and fences
- Barbed wire fencing
- Culverts
- Water wells

Although all improvements are important, adding water wells and bringing in power are most effective for increasing each ranchette's appeal and value.

Typical Deal

+ Recent Sales

Typical 10-acre ranchette:

Purchase price: \$100k

Improvements: + \$40k

“All in”: \$140k

Sales price: \$280k

“All in”: - \$140k

Spread: \$140k

Property	Purchase	Improv.*	Sales Price	Spread**	Return
15.45 acres near Wharton	\$99,153	\$37,999	\$289,000	\$151,848	2.1
12.21 acres near Hull	\$38,425	\$33,083	\$244,200	\$172,692	3.4
15.45 acres near Wharton	\$99,172	\$37,999	\$289,060	\$151,889	2.1
13.00 acres near El Campo	\$108,017	\$32,505	\$335,000	\$194,478	2.4
15.45 acres near Wharton	\$99,140	\$37,999	\$308,960	\$171,821	2.3
15.51 acres near Wharton	\$99,563	\$37,999	\$295,000	\$157,438	2.1
13.43 acres near El Campo	\$70,530	\$36,458	\$210,042	\$103,054	2.0
27.41 acres near El Campo	\$143,944	\$36,458	\$399,870	\$219,468	2.2
12.23 acres near Hull	\$38,500	\$33,083	\$244,680	\$173,097	3.4
10.12 acres near El Campo	\$84,104	\$32,505	\$220,000	\$103,391	1.9
14.00 acres near Hempstead	\$125,149	\$33,067	\$300,000	\$141,784	1.9
10.16 acres near Eagle Lake	\$92,648	\$35,841	\$255,000	\$126,511	2.0
10.18 acres near Eagle Lake	\$81,472	\$35,841	\$264,784	\$147,471	2.3
10.73 acres near Eagle Lake	\$85,848	\$35,841	\$268,275	\$146,586	2.2
11.33 acres near Eagle Lake	\$90,656	\$35,841	\$294,580	\$168,083	2.3

* Improv. = Improvements

** Spread = Rough profit before factoring in smaller deal-related expenses



Our Model Buyer and How We Find Them

Our buyers tend to fall in the category of “Blue Collar Plus.” This means that they manage and/or own a blue-collar business. Most are hardworking and have a respectable amount of disposable income.

They seek the ranchettes that we sell for the peace, freedom and quality family time that they can provide.

Most buyers will build a home or bring in a manufactured home sometime post-purchase. Over time, they will make other improvements of varying types. Examples include barns, pools, and horse stables.

Many of our buyers prefer not to work with traditional lenders. For that reason, we sell most ranchettes on owner financing.

Lending Criteria When We Sell on Owner Financing:

- Debt-to-income ratio not to exceed 44%
- About \$10,000 down (ranges from \$5,000 to \$30,000+)
- Additional funds for mortgage payments and future improvements
- No credit score or score of 600+
- No rental evictions within the last 2 years
- No more than 3 collections in payment history
- No foreclosures or bankruptcies within the last 3 years
- No IRS liens
- No judgements or liens
- Exceptions can be made in certain cases

How We Market Our Properties for Sale:

- Multiple Listing Service
- Roadside signage
- + Branded gifts upon purchase like grill or fire pit
- Paid social media ads
- Website

Investment Model

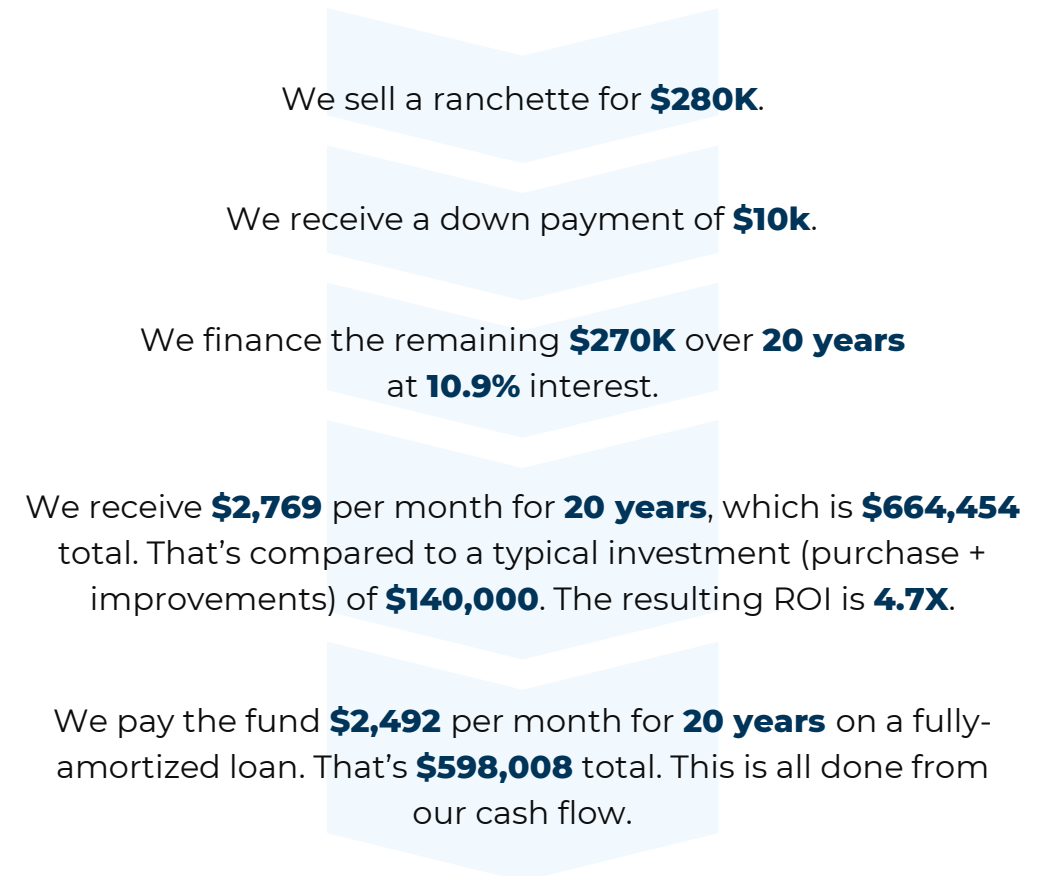


Why Our Business Model Works

- 01 Strong demand and very little supply
- 02 It requires a lot of capital
- 03 We buy in bulk and sell in small pieces
- 04 We make improvements
- 05 We sell on owner financing
- 06 We escape competition in the big city
- 07 It requires a large team to scale
- 08 It seems risky to outsiders
- 09 Buy as agricultural land, sell as residential
- 10 We know how to screen buyers

Secret Sauce: Selling on Owner Financing

This sales/financing method provides us with steady cash flow for paying returns to investors, as illustrated by this typical sale:



Your Investment in Hawthorne Income Fund

In the past, we have borrowed from banks to finance these land deals. We found them to be slow and bureaucratic.

This fund replaces those banks with investors like you. We're now able to move quickly and with greater ease when making purchases.

Just as a bank would, the fund (and by extension, its investors) receives first liens on our assets and predictable passive income.

	10% annual preferred return		10.47% IRR from reinvestment option		No debt (rare), owns debt
	Secured by first liens		Returns start accruing immediately		Pays out (or compounds) monthly
	Moderately liquid		Can invest long term		Diversified across multiple deals
	Returns paid from cash flow		Large investments accepted		No UBIT (rare)
	No fees or expenses (rare)		Multiple investment periods		Strong track record
	Recession and pandemic resilient		Audited financials		Third-party administration

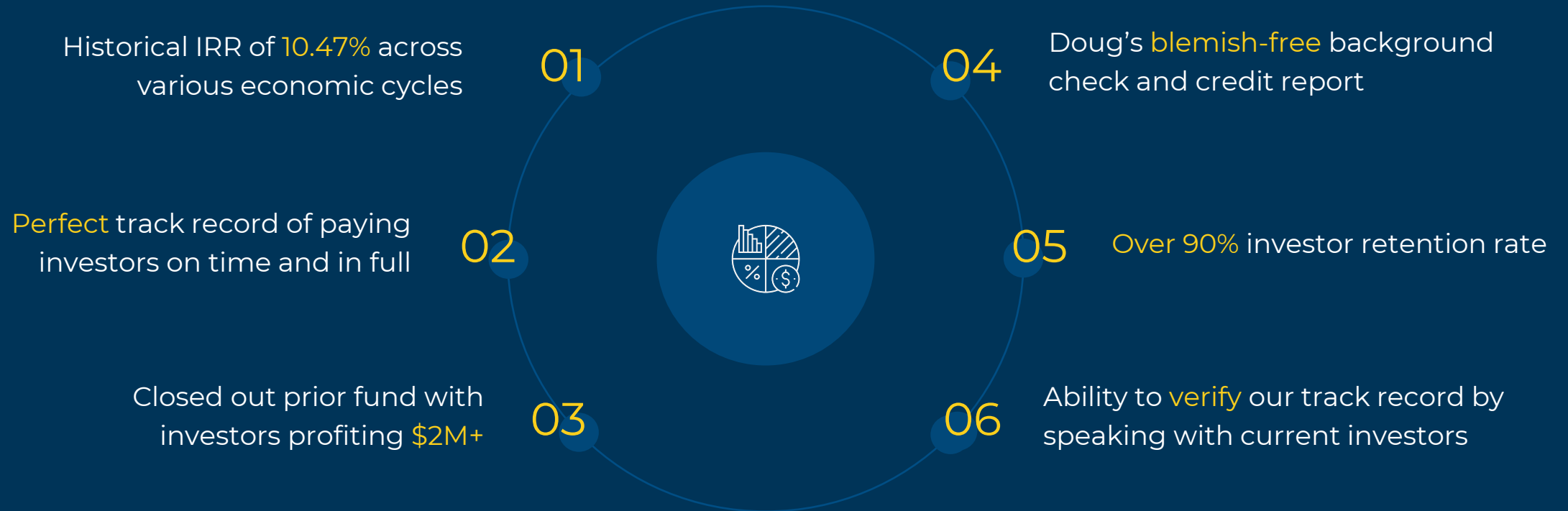
[Click here](#) for more details.

Fund Drawbacks



This investment is not exciting, but it is **helping people retire**.

Our Track Record



Better Alternative to the Stock Market

On paper, both have similar average returns:

- Hawthorne Income Fund: 10.47%
- Stock market investments: 9%-11%

But reality paints a different picture:

- For the twenty years ending in 2015, the S&P 500 Index averaged 9.85% a year. The average investor earned a market return of only 5.19%.*
- A new study finds that the average investor in all U.S. stock funds earned 3.7% annually over the past 30 years, a period in which the S&P 500 Index returned 11.1% annually.*

* source: Dalbar Inc.

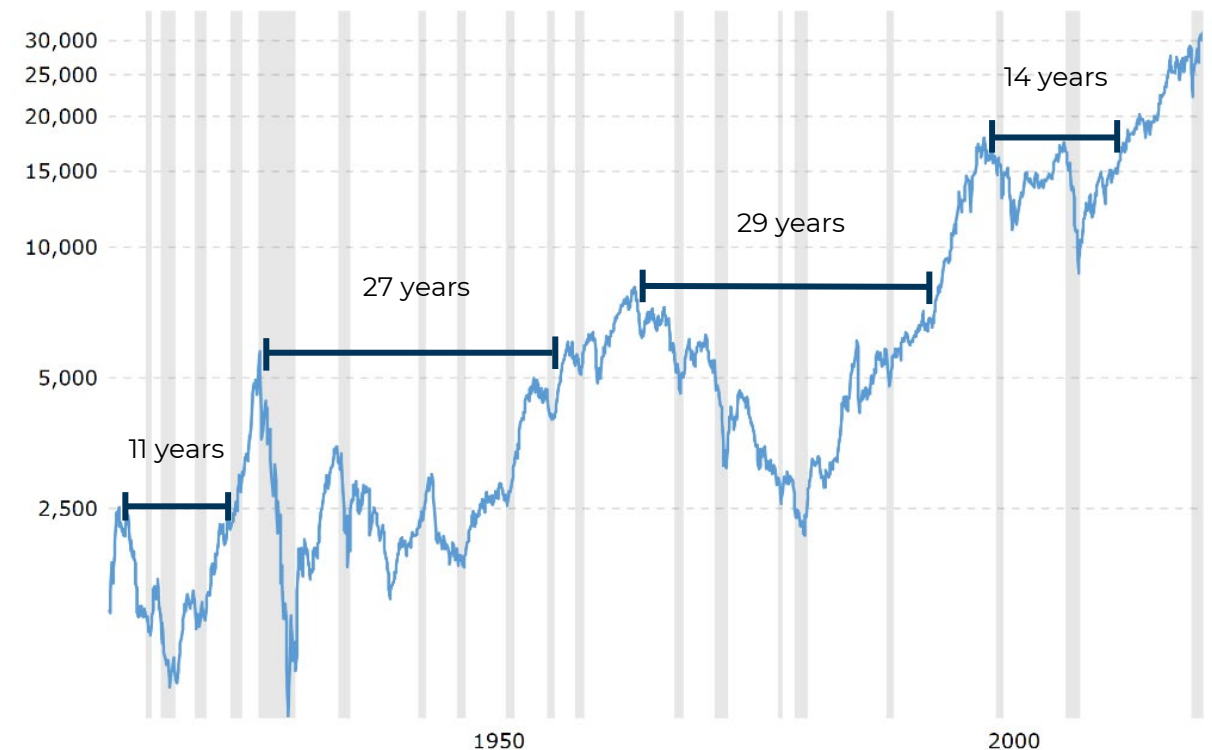
Stock market investments

Most people start their investment journey when they are excited about the market's upward trend.

This upward trend inevitably stalls and reverses, sometimes requiring decades to recover.

Unfortunately, people buying high and selling low is the norm.

S&P 500 peak to recovery



What Investors Are Saying

“I visited one of his projects and saw first-hand how this business model works. I trusted Doug as a long-time colleague and friend, so invested part of my IRA in his first fund. He has **communicated regularly** about the projects, and almost all **have exceeded projections**. Payments have come like clockwork. I plan to re-invest my IRA allocation into his next fund, and **endorse his business model as well proven, relatively safe, and as offering better returns than available elsewhere** for this level of risk.”

Glenn, Real Estate Investor

“Hawthorne Capital has been wonderful to work with. Having known Doug for over 10 years, I wouldn't expect anything less than the best. I have been investing with Hawthorne Capital for 3 years and **couldn't be more pleased with my customer experience as well as my returns!**”

Daniel, Business Owner

“This has been **one of the best investments I have ever made**. I've known Doug for 20 years now and he's one of the most trustworthy, does what he says person I know. Everything has gone exactly as it was described and the returns have been outstanding. The team he has assembled to manage the fund is amazing and great to work with. The communication has been fantastic and they are quick to answer any questions I have. I **highly recommend the fund to everyone.**”

John, Inventor and Entrepreneur

“I'm an active real estate investor. I've known and worked with Doug for close to 20 years. Hawthorne has been a great investment with interest payments coming on the first business day of each month without fail. The **communication in regards to the specific purchases and sales have been exceptional**. I've referred many of my friends that invested in Hawthorne, as well. They have been equally as happy. The Hawthorne team has always quickly answered any questions.”

Jeff, Real Estate Investor

“As a business owner, I appreciate other businesses that **operate with the level of expertise and integrity** as Doug Smith and his team at Hawthorne Capital. My wife and I have known Doug personally for over three years and began our initial investment two years ago, during which time we have found him to be **very timely, communicative and forthright** in his reporting of the fund's progress and status. Equally importantly, **we are very happy with his expertise in providing a high yield, low risk fund.**”

Madhu, Business Owner

“I'm so pleased to have had the opportunity to invest with Doug and Hawthorne Capital. I've been **very satisfied with the cash returns** that I receive monthly. Having known Doug personally, I can also speak to the **integrity of his character and business**. As I continue to look for investment vehicles that provide passive income, I know I'll want to increase my capital contributions to the fund.”

Realtor and Real Estate Investor

Key Team Members



Doug Smith

Founder and CEO



Spencer Grogan

President



Jeffrey Burrell

Vice President of
Investor Relations



Jack Berger

Vice President of
Investor Relations



Jaime Alvizar

Operations
Manager



Aletha Bradley

Operations
Manager



Chad Andrus

Licensed Texas
Broker



Francois Delille

Licensed Texas
Broker



Richard Drake

Real Estate Investor
& Business Owner
Board of Advisors



Brant Phillips

Real Estate Investor
& Business Owner
Board of Advisors



Glenn Dickson

Real Estate Investor
& Business Owner
Board of Advisors



Doug Smith

Founder & CEO

01

Bought and sold 100+ houses and 6,500+ acres of rural land

02

Named to the Houston Business Journal (HBJ) 40 Under 40 list

03

Founded, led and ultimately sold an Inc. 5,000 property technology company named REI Network, LP

04

Gives back by investing in veteran-owned businesses, mentoring local entrepreneurs and granting scholarships

05

Former software developer for ExxonMobil

06

Graduated from the business and honors colleges at Texas Tech University as the top graduate out of 500+ students



Become a Part of the
Hawthorne Capital Family



Thank You

Doug Smith

doug@hawthornecapital.com

(832) 573-9109

Aletha Bradley

aletha@hawthornecapital.com

(281) 881-8055



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1210 W Clay Street, Suite 8, Houston, TX 77019



hawthornecapital.com



FAQ: hawthornecapital.com/info