PRESENTS

DEROSA CAPITAL 20

FREQUENTLY ASKED QUESTIONS

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DEAL-SPECIFIC QUESTIONS

What makes this deal unique?

DeRosa Capital 20 is a rare opportunity to invest in two stabilized, cash-flowing Hilton-branded hotels—Hampton Inn (Milwaukee) and Home2 Suites (Houston). Both assets are newer builds, acquired off-market, and priced well below replacement cost. You get immediate income, institutional-quality assets, and significant upside potential—all without operational headaches.

Why Milwaukee and Houston?

Milwaukee is a year-round destination fueled by major medical, business travel, sports, and one of the country's most event-packed summer calendars. Houston is a global energy hub with a top 5 airport by passenger traffic (IAH), strong extended-stay demand, and business travel anchored by Fortune 500 employers. Together, they provide geographic and demand-stream diversification.

What is the replacement cost per key vs. your purchase price?

The hotels are being acquired for ~$130K per key, significantly below replacement cost, which is estimated north of $200K+ per key for new Hilton-branded construction in these markets. This pricing gives investors a strong margin of safety and equity cushion.

How do Hilton loyalty programs impact performance?

Hilton Honors has over 200 million members who book directly through Hilton's platform, bypassing costly OTAs like Expedia. This built-in demand improves occupancy, reduces marketing costs, and drives repeat business. Flagged hotels also benefit from centralized revenue management and brand trust.

What is the PIP and CapEx plan?

The Property Improvement Plans (PIPs) are modest and largely cosmetic, designed to refresh the branding and align with Hilton's latest standards. The CapEx budget includes light renovations and deferred maintenance, funded up front and built into projections.

Is there upside beyond cash flow?

Yes. The business plan includes raising ADRs through improved management, optimizing pricing, and completing PIP upgrades. If peak performance is achieved, investor returns could exceed expectations.

Why are there 3 share classes?

Class A ($100K min) is a preferred equity share class for investors who want cash flow with limited downside risk. They will be paid an 11% return monthly and their principal back when the property is sold. They are the first share class to receive cash flow, but they are not entitled to any of the property upside.

Class B ($75K min) is a common equity share that sits behind the class A shares in the waterfall, but is entitled to upside. This share class pays 7% quarterly with additional profits split 70% to investors and 30% to the GPs.

Class C ($500K min) is a common equity share that sits behind the class A shares and in the same priority as Class B shares in the waterfall, but is entitled to upside. This share class pays 8% quarterly with additional profits split 75% to investors and 25% to the GPs. The higher preferred return and higher equity split will produce larger returns for investors looking to invest more capital.

What if I want to invest through my IRA or LLC?

You can invest through a self-directed IRA, LLC, trust, or individual entity. Our team and legal counsel can support you in structuring your investment to meet your financial and tax goals.

Can I do a 1031 exchange into this deal?

We are not accepting 1031 exchange dollars into DeRosa Capital 20, but schedule a call with our team and we might be able to assist you in another deal!

WHY HOTELS?

Why invest in hotels instead of multifamily or other real estate?

Hotels offer unique benefits not found in traditional real estate:

- **Daily pricing flexibility** means we can adjust room rates in real time to meet demand—unlike multifamily, which adjusts once per year.
- **Built-in demand** from Hilton Honors members reduces reliance on third-party sites and paid marketing.
- **Operational upside** through better branding, reviews, and yield management systems. This allows well-run hotels to outperform in high-demand periods and remain competitive during downturns.

Aren't hotels riskier than apartments or other asset classes?

Not necessarily. While hospitality is more operationally intensive, we mitigate risk by:

- Acquiring **stabilized Hilton-branded assets** with strong in-place performance
- Partnering with **experienced third-party hotel managers**
- Underwriting conservatively with permanent financing and long-term cash flow planning
- Focusing on **select-service hotels**, which are leaner and more resilient than luxury hotels

What makes Hilton-branded hotels special?

Hilton is one of the most trusted brands in hospitality, with:

- 200M+ loyalty members
- Consistent ADR premiums
- Strict quality standards through PIP (Property Improvement Plans)
- Hilton-flagged hotels attract a stronger buyer pool and command better pricing, especially when fully PIP-compliant.

RISK MITIGATION

What if the economy slows down or we hit a recession?

We stress-tested our models. Each property could absorb a $1M annual revenue drop and still meet all expenses and debt service.

Additionally:

- Select-service hotels like Hampton Inn and Home2 Suites are more recession-resilient due to leaner operations and lower price points.

- Hilton’s loyalty ecosystem and essential travel segments (medical, airport, business) help support stable occupancy even in softer markets.

What’s your financing strategy, and how does that reduce risk?

We’re using regional bank debt with a 25-year amortization schedule and permanent financing from day one.

This ensures:

- Stable, predictable debt service

- Principal paydown throughout the hold period

- No need to refinance in a volatile interest rate environment

Who will be operating the hotels?

Each property is managed by an experienced third-party Hilton operator with a track record of success. We’re not trying to learn hospitality from scratch—we’re partnering with professionals who already know how to drive results.

GENERAL SYNDICATION QUESTIONS

What is a real estate syndication?

A syndication is when multiple investors pool capital to acquire a property together. DeRosa acts as the sponsor (or General Partner "GP")—acquiring and managing the assets—while investors participate passively and receive their share of returns, distributions, and tax benefits.

What is the difference between active and passive investing?

Active investors manage properties, handle tenants, and make day-to-day decisions. Passive investors invest capital and let professionals handle the operations—collecting income and updates without any hands-on involvement.

Will I receive regular updates and reporting?

Yes. Investors receive monthly distributions, quarterly updates, annual financials, and full transparency on asset performance and business plan execution.

Are there tax benefits?

Yes. As with most real estate investments, investors benefit from depreciation and pass-through losses. K-1 tax forms will be issued annually. We also anticipate bonus depreciation in the early years.

Is my investment liquid?

No. Like most syndications, your investment is illiquid during the 5-year hold period. However, we do offer redemptions in rare cases of hardship on a case-by-case basis, subject to approval.

What happens at the end of the 5-year hold?

We will exit the properties via sale or recapitalization. Investors receive their original capital back, plus any upside from appreciation and increased cash flow. Final distributions are made based on equity shares and waterfall structure.

What's the best way to get started?

Click "Invest Now" or schedule a call with our team. We'll walk you through the process, answer questions, and help determine if this is a good fit for your goals. If you're ready, you can complete your soft commit and reserve your spot.

What does it mean to be an accredited investor, and is it required?

Yes — DeRosa Capital 20 is open to **accredited investors only**.

To qualify, you must meet one of the following:

- Earn $200K/year (or $300K with a spouse) for the last two years
- Have a net worth over $1 million (excluding your primary residence)
- Hold certain financial licenses (Series 7, 65, or 82)

We'll walk you through a simple verification process as part of the onboarding.

KEY TERM DEFINITIONS

Property Improvement Plan (PIP)

A required brand upgrade checklist to maintain franchise standards. Light PIPs usually involve paint, furniture, or technology—not heavy construction.

Average Daily Rate (ADR)

The average nightly rate paid per occupied room. It reflects pricing power and demand.

Revenue per Available Room (RevPAR)

A performance metric blending occupancy and ADR to gauge overall revenue per room (occupied or not). Calculated as:

RevPAR = ADR × Occupancy

ADDITIONAL QUESTIONS?
Schedule A Call
https://bit.ly/ScheduleWithREACap

LIMITED AVAILABILITY
Filling on a first-come basis.

TARGET CLOSE: JULY 31, 2025

REA CAPITAL MANAGEMENT

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