

PRIVATE PLACEMENT MEMORANDUM FOR ACCREDITED INVESTORS



**ERC HOMEBUILDERS, INC.  
2738 FALKENBURG ROAD  
RIVERVIEW, FL 33578  
(813) 621-5000**

30,000,000 SHARES OF PREFERRED STOCK  
MAXIMUM OFFERING OF \$30,600,000  
And  
NO MINIMUM OFFERING

\$1.02 per share (\$1.00 per share for investors that subscribe for more than \$500,000)

There is no maximum subscription per investor.  
The date of this PPM is April 29, 2019.

AN INVESTMENT IN OUR SECURITIES INVOLVES A HIGH DEGREE OF RISK. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF US AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. YOU SHOULD ONLY INVEST IN OUR SHARES IF YOU CAN AFFORD A COMPLETE LOSS OF YOUR INVESTMENT. YOU SHOULD READ THE COMPLETE DISCUSSION OF THE RISK FACTORS SET FORTH IN THIS PRIVATE PLACEMENT MEMORANDUM ("PPM").

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PPM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. SEE RISK DISCLOSURE STATEMENTS.

**NOTICE TO INVESTORS**

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE, AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT SET FORTH IN SECTION 4(a)(2) THEREOF AND RULE 506(c) OF REGULATION D PROMULGATED THEREUNDER. WE HAVE ELECTED TO SELL SECURITIES TO ACCREDITED INVESTORS, AS SUCH TERMS IS DEFINED IN RULE 501(a) OF REGULATION D, EACH ACCREDITED INVESTOR WILL BE REQUIRED TO MAKE REPRESENTATIONS AS TO THE BASIS

UPON WHICH IT QUALIFIES AS AN ACCREDITED INVESTOR. PURSUANT TO RULE 506(c) INDEPENDENT VERIFICATION WILL BE REQUIRED.

THE SECURITIES OFFERED HEREBY WILL BE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. ONLY PERSONS WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT IN THE SHARES SHOULD PURCHASE THE SHARES.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION ("SEC"), NOR HAS THE SEC OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PPM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE INFORMATION PRESENTED HEREIN WAS PRESENTED AND SUPPLIED SOLELY BY ERC HOMEBUILDERS, INC. AND IS BEING FURNISHED SOLELY FOR USE BY PROSPECTIVE INVESTORS IN CONNECTION WITH THE OFFERING. ERC HOMEBUILDERS, INC. MAKES NO REPRESENTATIONS AS TO THE FUTURE PERFORMANCE OF ERC HOMEBUILDERS, INC.

THIS OFFERING IS SUBJECT TO WITHDRAWAL, CANCELLATION OR MODIFICATION BY ERC HOMEBUILDERS, INC. AT ANY TIME AND WITHOUT NOTICE. WE RESERVE THE RIGHT IN OUR SOLE DISCRETION TO REJECT ANY SUBSCRIPTION IN WHOLE OR IN PART NOTWITHSTANDING TENDER OF PAYMENT OR TO ALLOT TO ANY PROSPECTIVE INVESTOR LESS THAN THE NUMBER OF SHARES SUBSCRIBED FOR BY SUCH INVESTOR.

THIS PPM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF ANY OFFER TO BUY ANY SECURITY OTHER THAN THE SECURITIES OFFERED HEREBY, NOR DOES IT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF ANY OFFER TO BUY SUCH SECURITIES BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED, OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO. NEITHER THE DELIVERY OF THIS PPM NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN OUR AFFAIRS SINCE THE DATE HEREOF. THIS PPM CONTAINS SUMMARIES OF CERTAIN PERTINENT DOCUMENTS, APPLICABLE LAWS AND REGULATIONS. SUCH SUMMARIES ARE NOT COMPLETE AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE COMPLETE TEXTS THEREOF.

THIS PPM IS CONFIDENTIAL AND MAY NOT BE SHARED WITH ANY OTHER PERSONS.

PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS PPM AS LEGAL OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT HIS OR HER OWN COUNSEL, ACCOUNTANT AND OTHER ADVISORS AS TO LEGAL, TAX AND RELATED MATTERS PRIOR TO PURCHASING ANY SHARES.

ERC HOMEBUILDERS, INC. DOES NOT MAKE ANY EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS PPM OR IN ANY ADDITIONAL EVALUATION MATERIAL, WHETHER WRITTEN OR ORAL, MADE

AVAILABLE IN CONNECTION WITH ANY FURTHER INVESTIGATION OF ERC HOMEBUILDERS, INC. ERC HOMEBUILDERS, INC. EXPRESSLY DISCLAIMS ANY AND ALL LIABILITY THAT MAY BE BASED UPON SUCH INFORMATION, ERRORS THEREIN OR OMISSIONS THEREFROM. ONLY THOSE PARTICULAR REPRESENTATIONS AND WARRANTIES, IF ANY, WHICH MAY BE MADE TO A PARTY IN A DEFINITIVE WRITTEN AGREEMENT REGARDING A TRANSACTION INVOLVING ERC HOMEBUILDERS, INC., WHEN, AS AND IF EXECUTED, AND SUBJECT TO SUCH LIMITATIONS AND RESTRICTIONS AS MAY BE SPECIFIED THEREIN, WILL HAVE ANY LEGAL EFFECT. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED TO THE CONTRARY IN WRITING, THIS PPM SPEAKS AS OF THE DATE HEREOF. NEITHER THE DELIVERY OF THIS PPM NOR ANY SALE OF SHARES MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF ERC HOMEBUILDERS, INC. AFTER THE DATE HEREOF.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PPM IN CONNECTION WITH THE OFFERING OF SHARES BEING MADE PURSUANT HERETO, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ERC HOMEBUILDERS, INC. WE HAVE NOT RETAINED ANY INDEPENDENT PROFESSIONALS TO COMMENT ON OR OTHERWISE PROTECT THE INTERESTS OF POTENTIAL INVESTORS. ALTHOUGH WE HAVE RETAINED OUR OWN COUNSEL, NEITHER SUCH COUNSEL NOR ANY OTHER INDEPENDENT PROFESSIONALS HAVE MADE ANY EXAMINATION OF ANY FACTUAL MATTERS HEREIN, AND POTENTIAL INVESTORS SHOULD NOT RELY ON OUR COUNSEL REGARDING ANY MATTERS HEREIN DESCRIBED.

THERE IS NO MARKET FOR OUR SHARES AND THERE IS NO ASSURANCES A PUBLIC MARKET WILL EVER BE ESTABLISHED. PURCHASERS OF THE SHARES ARE NOT BEING GRANTED ANY REGISTRATION RIGHTS. A PURCHASE OF THE SHARES SHOULD BE CONSIDERED AN ILLIQUID INVESTMENT.

THIS PPM IS SUBJECT TO AMENDMENT AND SUPPLEMENTATION AS APPROPRIATE. WE DO NOT INTEND TO UPDATE THE INFORMATION CONTAINED IN THE PPM FOR ANY INVESTOR WHO HAS ALREADY MADE AN INVESTMENT. WE MAY UPDATE THE INFORMATION CONTAINED HEREIN FROM TIME TO TIME AND PROVIDE SUCH UPDATED DOCUMENT TO POTENTIAL INVESTORS BUT WE UNDERTAKE NO OBLIGATION TO PROVIDE SUCH UPDATED DOCUMENTS TO AN INVESTOR WHO HAS ALREADY MADE HIS INVESTMENT.

IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. NO FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS RECOMMENDED THESE SECURITIES. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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When used herein, the terms “ERC HOMEBUILDERS, Inc.” “ERC”, “we,” “us,” “our,” the “company” and similar terms refer to ERC HOMEBUILDERS, Inc., a Delaware Corporation.

## THE OFFERING

This PPM (“PPM”) relates to the offering (the “Offering”) for sale by ERC HOMEBUILDERS, Inc. of up to 30,000,000 (the “Maximum Amount”) of shares of Preferred Stock of ERC HOMEBUILDERS, Inc., \$0.00001 par value per share (the “Shares”). This Offering is not subject to a minimum sale of Shares (referred to as a “Minimum Amount”). The Shares are being offered by ERC HOMEBUILDERS, Inc. on a “best efforts” basis directly by ERC HOMEBUILDERS, Inc. to individuals who are “accredited investors” as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (the “Securities Act”).

The company will attempt to sell the Shares during an offering period commencing on the date of this Memorandum and expiring on June 30, 2020 (such period, as same may be extended, being hereinafter referred to as the “Offering Period”). The purchase price (“Purchase Price”) of the Shares will be the same for all investors. The Shares may only be purchased by subscribers who represent and demonstrate to us that they qualify as accredited investors as that term is defined in Rule 501 of Regulation D of the Securities Act of 1933, as amended (the “Securities Act”). The minimum investment per each potential investor is \$10,000 although we reserve the right to accept subscriptions for a lesser number of Shares. There is no maximum investment per investor in this Offering. We reserve the right to undertake contemporaneous offerings upon different terms and/or separate additional offerings in the future on the same or alternative terms.

Subscription funds from potential investors, which are payable via check, wire, debit card or electronic funds transfer via ACH to the specified account, are set forth in “Plan of Distribution.” During the Offering Period, subscriptions are subject to acceptance by the company from time to time, and the funds will be available to the company immediately; there is no minimum offering requirement. Subscriptions need not be accepted by the company in the order they are received. Upon the acceptance by the company of subscriptions from suitable investors, the initial closing and purchase of Shares will occur and the purchasers of the Shares will become shareholders of the company. Thereafter, subsequent investors in the Shares will become shareholders of the company at such subsequent closings as may be determined by the company. Inasmuch as this Offering is being made pursuant to Rule 506(c), independent verification of each subscriber’s accredited investor status will be required. See “Plan of Distribution.”

If a person subscribes and his, her or its subscription is rejected by the company, the funds furnished by such person, or the portion thereof represented by a subscription rejected in part, will be promptly returned without deduction and without any interest earned thereon. Upon consummation of the initial closing and any subsequent closings, physical or digital certificates representing the Shares sold by the company or other notification will be delivered as promptly as practicable to each of the investors whose subscriptions have been accepted. Investors should note that any delay with respect to subscription may result in investments being accepted at a higher per-Share price and no guarantee can be provided with respect to the price at which their subscriptions will be accepted.

## NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements set forth in this PPM and the Exhibits attached hereto constitute "Forward Looking Statements." Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate, or imply future results, performance or achievements, and may contain the words "estimate," "project," "intend," "forecast," "anticipate," "plan," "planning," "expect," "believe," "will likely," "should," "could," "would," "may" or words or expressions of similar meaning. All such forward-looking statements involve risks and uncertainties, including, but not limited to, those risks described herein. Therefore, prospective investors are cautioned that there also can be no assurance that the forward-looking statements included in this PPM will prove to be accurate. In light of the significant uncertainties inherent to the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation or warranty by the company or any other person that the objectives and plans of the company will be achieved in any specified time frame, if at all. Except to the extent required by applicable laws or rules, the company does not undertake any obligation to update any forward-looking statements or to announce revisions to any of the forward-looking statements.

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## RESTRICTIONS ON TRANSFERABILITY

SINCE THE OFFERING OF THE SECURITIES OFFERED HEREBY IS NOT BEING REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, THE SECURITIES CANNOT BE SOLD BY AN INVESTOR UNLESS THEY ARE SUBSEQUENTLY REGISTERED UNDER SUCH ACT, OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE AT THE TIME OF DESIRED SALE. THEREFORE, A PURCHASER MUST BE ABLE TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

## TAXES

PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS PPM AS LEGAL OR TAX ADVICE. THE TAX ASPECTS OF AN INVESTMENT IN THE SHARES REQUIRE CAREFUL AND INFORMED STUDY WITH RESPECT TO AN INVESTOR'S PERSONAL TAX AND FINANCIAL POSITION. ACCORDINGLY, NO PERSON SHOULD INVEST IN THE SHARES WITHOUT PRIOR INDEPENDENT EXPERT ADVICE AS TO THE TAX IMPACT OF AN INVESTMENT IN THE SECURITIES. EACH PROSPECTIVE INVESTOR SHOULD CONSULT HIS OR HER OWN COUNSEL, ACCOUNTANT AND OTHER ADVISORS AS TO LEGAL, TAX AND RELATED MATTERS PRIOR TO PURCHASING ANY SHARES. NOTHING IN THIS PPM SHOULD BE CONSTRUED AS LEGAL OR TAX ADVICE TO POTENTIAL INVESTORS.

A COPY OF THIS PPM AND THE SUBSCRIPTION AGREEMENT SHALL BE DELIVERED TO EVERY PERSON SOLICITED TO BUY ANY OF THE SECURITIES HEREBY OFFERED, AT THE TIME OF THE INITIAL OFFER TO SELL.

## WHERE YOU CAN OBTAIN MORE INFORMATION

The PPM contains limited information on the company. While we believe the information contained in the PPM is accurate, such documents are not meant to contain an exhaustive discussion regarding the company. We cannot guarantee a prospective investor that the abbreviated nature of the PPM will not omit to state a material fact, which a prospective investor may believe to be an important factor in determining if an investment in the Shares offered hereby is appropriate for such investor. As a result, prospective investors are required to undertake their own due diligence of ERC Homebuilders, Inc., our current and proposed business and operations, our management and our financial condition to verify the accuracy and completeness of the information we are providing in the PPM. **An investment in the Shares is suitable only for investors who have the knowledge and experience to independently evaluate ERC Homebuilders, Inc., our business and prospects.**

Prospective investors may make an independent examination of our books, records and other documents to the extent an investor deems it necessary and should not rely on us or any of our employees or agents with respect to judgments relating to an investment in the company.

EACH PROSPECTIVE INVESTOR WILL BE GIVEN AN OPPORTUNITY TO ASK QUESTIONS OF, AND RECEIVE ANSWERS FROM, MANAGEMENT OF THE COMPANY CONCERNING THE TERMS AND CONDITIONS OF THIS OFFERING AND TO OBTAIN ANY ADDITIONAL INFORMATION, TO THE EXTENT THE COMPANY POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORTS OR EXPENSE, AS NECESSARY TO VERIFY THE ACCURACY OF THE INFORMATION CONTAINED IN THIS PPM.

Each offeree may, if he, she or it so desires, make inquiries of appropriate members of our management with respect to our business or any other matters set forth herein, and may obtain any additional information which such person deems to be necessary in order to verify the accuracy of the information contained in the PPM (to the extent that we possess such information or can acquire it without unreasonable effort or expense).

Any such inquiries or requests for additional information or documents should be made in writing to us, addressed as follows:

ERC Homebuilders, Inc.  
2738 FALKENBURG ROAD SOUTH  
RIVERVIEW, FL 33578  
(813) 621-5000  
Attention: Gerald Ellenburg, Chief Executive Officer  
Email: [jerry@erchomes.com](mailto:jerry@erchomes.com)



## OFFERING SUMMARY

<b>The Company</b>	ERC Homebuilders, Inc. (“ERC” or the “company”) is a Delaware corporation, incorporated on October 24, 2018. ERC is an early stage real estate company intended to become a next generation wholesaler of build-for-rent (“Build-For-Rent”) single and two-family residences in Florida. The company controls or will control two operating subsidiaries. In this PPM, references to operations of “the company” may refer to actions taken through one or both of those operating subsidiaries.
<b>Maximum Offering Amount</b>	Up to 30,000,000 Shares for \$30,600,000 are being offered on a “best efforts” basis.
<b>Minimum Offering Amount</b>	None.
<b>Price Per Share</b>	\$1.00 for subscriptions of \$500,000 or more \$1.02 for subscriptions of less than \$500,000 <i>The company reserves the right to sell shares for a lesser amount in its sole discretion</i>
<b>Minimum Investment</b>	\$10,000 USD per purchaser, provided that company reserves the right to accept subscriptions for lesser amounts.
<b>Dividend distribution</b>	Accrual of dividends: Investors in this Offering will begin to accrue an annual 8% dividend after the issuance of their Preferred Stock. Payment of dividends: Payments will be made monthly after investment providing funds are legally available. The net proceeds from the sale of the Shares will be used to for working capital to build and expand the company’s business, including the operations of its subsidiaries. See “Use of Proceeds.” See also Risk Factors
<b>Use of Proceeds</b>	
<b>Capitalization</b>	Our Amended and Restated Certificate of Incorporation of ERC Homebuilders, Inc. authorizes the issuance of up to 160,000,000 Shares of Common Stock of which two classes are designated and 40,000,000 shares of Preferred Stock. Of the common stock, 110,000,000 shares of Class A Common Stock are designated and have voting rights on a one for one basis. 50,000,000 shares of Class B common stock are designated and have voting rights on a five for one voting basis. The Preferred Stock have voting rights on a one for one basis.
<b>Shares Outstanding</b>	As of April 3, 2019, 45,029,860 Shares of Class B Common Stock were issued and outstanding and 0 Shares of Preferred Stock were issued and outstanding.

<b>Investor Eligibility</b>	The Shares may only be sold to accredited investors as defined by Rule 501 of Regulation D under the Securities Act. Pursuant to the provisions of Rule 506(c), self-verification of the accredited investor status of each prospective investor will be required prior to the acceptance of any subscriptions by us.
<b>Securities Exemption</b>	The offer and sale of the Shares is intended to be exempt from the registration requirements of the Securities Act pursuant to Rule 506(c) under Regulation D promulgated under the Securities Act and is intended to be exempt from the registration requirements of applicable state securities laws as a federally covered security.
<b>Restrictions on Transfer</b>	<p>The Shares will be restricted as to transferability under state and federal laws regulating securities. The offer of the Shares has not been registered under the Securities Act, or any other similar state statutes, in reliance upon exemptions from the registration requirements contained therein. Accordingly, the Shares will be “restricted securities” as defined in Rule 144 of the Securities Act. As “restricted securities,” an investor must hold them indefinitely and may not dispose or otherwise sell them without registration under the Securities Act and any applicable state securities laws unless exemptions from registrations are available. Moreover, in the event an investor desires, to sell or otherwise dispose of any of the Shares, the investor will be required to furnish us with an opinion of counsel acceptable to us that the transfer would not violate the registration requirements of the Securities Act or applicable state securities laws.</p> <p>Any certificate or other document evidencing the Shares will be imprinted with a conspicuous legend stating that the securities have not been registered under the Securities Act and state securities laws, and referring to the restrictions on transferability and sale of the securities. In addition, our records concerning the securities will include “stop transfer notations” with respect to such Shares.</p>
<b>Offering Period</b>	The Shares will be offered commencing on the date of this PPM and continue until June 30, 2020 which period may be extended by us in our sole discretion.
<b>Risk Factors</b>	The Shares offered hereby are highly speculative and involve a high degree of risk. Prospective investors should carefully review the risk factors included in this PPM, commencing on page 22.
<b>Plan of Distribution</b>	The Shares are being offered on a “best efforts” basis pursuant to an exemption from the registration requirements of the Securities Act provided by Rule 506(c) thereunder. The officers and directors of the company will not be compensated by reference to any sales of Shares, as discussed in the “Plan of Distribution” on page 51.

**Subscription Procedures** Instructions on how to subscribe for the Shares can be found later in this PPM under the section entitled “Plan of Distribution” on page 51.

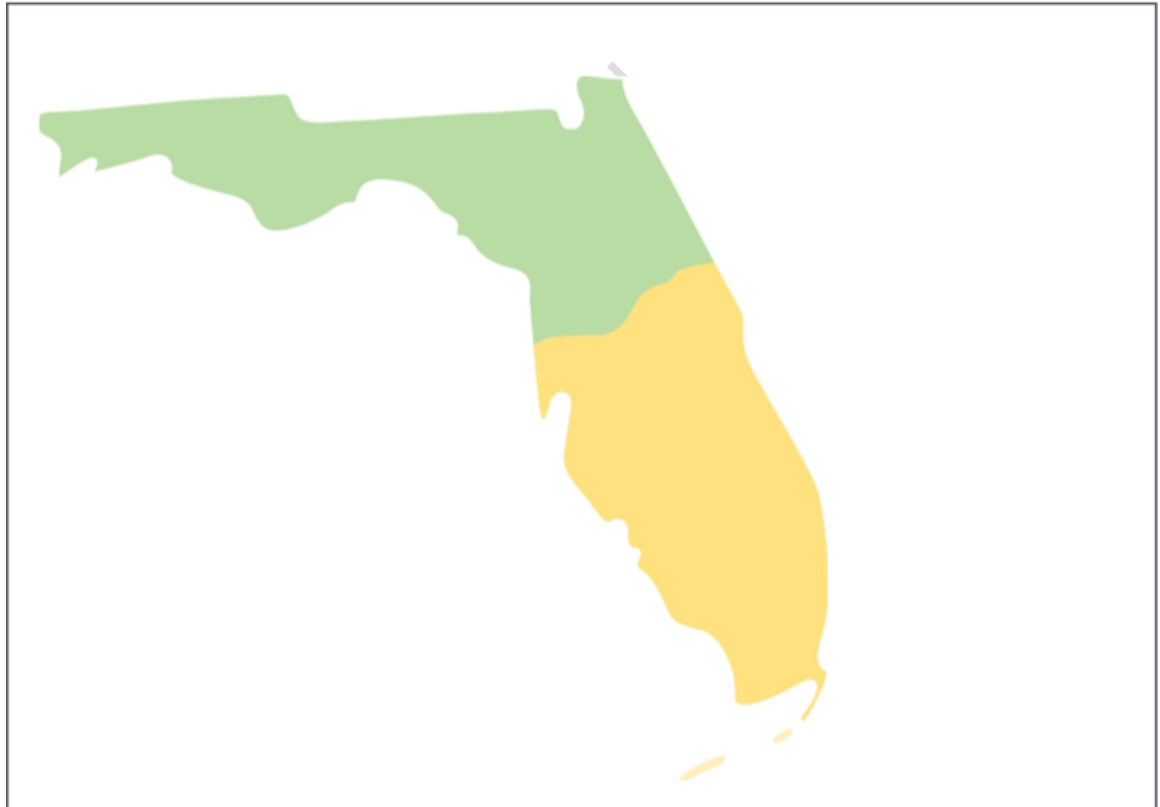
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## BUSINESS OVERVIEW

### Overview

ERC Homebuilders, Inc. is an early stage real estate company intended to become a next generation wholesaler of build-for-rent (“Build-For-Rent”) single and two-family residences in Florida. ERC intends to operate two operating subsidiaries, ERC Homebuilders 1 and ERC Homebuilders 2, (each an “Operating Subsidiary, and collectively the “Operating Subsidiaries”). The Operating Subsidiaries will be located in the State of Florida and will operate under the names listed below:

REGION	NAME
South Florida United States	ERC Homebuilders 1, Inc.
North Florida United States	ERC Homebuilders 2, Inc.



- ERC projects that it may own 80% or more of each Operating Subsidiary, Depending upon the amount of capital procured in each Operating Subsidiary.
- ERC will assist in the management of the development, construction and operations of each Operating Subsidiary.
- Each Operating Subsidiary will be responsible for day to day operations.

The company and its Operating Subsidiaries plan to target a rising demand for single-family rental properties, and specifically the unmet demand of institutional buyers such as private equity firms, hedge funds and national rental operators by developing and wholesaling Build-

For-Rent units, initially in its home state of Florida and expanding to other parts of the country from there.

### **Principal Products and Services**

The primary business of the company and its Operating Subsidiaries will be the development of land and construction of Build-For-Rent's for resale to rental operator companies. It will function as a wholesaler of Build-For-Rent units by building and selling them in "mini-neighborhoods" of 20+ units. These groups of residences may be contiguous to each other or in fragmented groupings that are assembled within a certain geographic area. By packaging and selling 20+ unit bundles, the company plans to meet the needs of large institutional investors and national rental operators who want a relatively easy, quick way to acquire more inventory of rental properties.

The company's business activities will include:

- Building lot acquisition from land developers, banks, home-owners, trusts & estates.
- Independent appraisals to verify existing and completion value.
- Comprehensive design/new construction.
- Re-sale through major brokers and marketplaces such as SVN/SFRhub.

The company will oversee independent general contractors for much of its construction, all of whom will perform under fixed-price contracts. All such homes will be "affordable" with average square footage of 1,500, and typically with 3 bedrooms and 2 bathrooms. In Florida, target monthly rents that the company's buyers will charge are estimated to range between \$1,400 and \$1,800.

Currently, the company is at the earliest stages of development. The company's subsidiaries have not yet purchased land for phase I construction. The company believes that it will take approximately 24 months after land purchase for each subsidiary to complete phase I construction.

### Financing the Development of Properties

The company intends to purchase the land for Phase I Construction with a combination of the following:

- The proceeds of Regulation A offerings to be made by each Operating Subsidiary (see "Use of Proceeds").
- Mortgage financing provided by banks, private equity funds, lending-REITs and/or other financial institutions.
- Proceeds from this offering.

The company intends that the Operating Subsidiaries will own the properties or the Operating Subsidiaries will own them in joint venture with ERC. Currently, the percentage share of ownership between the Operating Subsidiaries and ERC has not been determined but it may be up to at least 80%.

Further, proceeds from this offering will be used for the acquisition of land and for certain costs related to the entitlement and zoning for such land. When capital is used for these purposes, the company will enter into a participating lease agreement (“PLA”) with the applicable Operating Subsidiary. PLA’s allow for fixed lease payments plus allocations of revenue, wherein the company would receive larger lease payments from the applicable Operating Subsidiary in such cases as revenues would increase. The company intends that the PLA’s will allow for payments from the Operating Subsidiary to the company in amounts that closely approximate what would be the company’s share of net cash flows based on its pro-rata share of total development costs for the properties owned by the applicable Operating Subsidiary.

#### Sourcing the properties

The company has engaged various regional and national real estate brokerages to source potential sites. Management members have worked with various real estate brokerages since 2011, certain of which will refer land-sites to the Operating Subsidiaries. As of this date, various land-sites are being identified and studied for possible development. In addition, the Operating Subsidiaries may acquire assets currently owned by eRC Homes, LLC and by eRC Homes Capital, LLC, both companies controlled by the company’s Chairman / CEO and President / COO. All such transactions will be made at the selling entity’s cost.

#### Property design, development and construction

Management members have worked with various design groups and are currently in discussion with certain of them relative to the types of homes that should be developed on different land-sites. Once land-sites are identified and proposed to Build-For-Rent buyers, design work will commence. Such design work will result in submissions to governmental authorities for building permits, and construction will then commence.

#### Management of each property

The company will advise and guide the management of its two Operating Subsidiaries, including property design, development, and all sale activities. Each Operating Subsidiary will directly employ sales personnel.

### **Market Sector**

#### Build-for-Rent Properties

The 2008 financial crisis launched one of the largest distressed-buying opportunities in American history. By 2013, major institutional investors were buying homes through poorly disguised subsidiaries. Tens of thousands of homes built for homeowner sale were instead going into rental pools of regional and national rental operators.

As these large pools of undervalued homes began to disappear toward the end of the recession, institutional investors began searching around the country for new home product. Today, they have not abandoned their existing home acquisitions; however, they are showing acute interest in amassing large inventories of homes that carry with them the trait – “everything is new.” Build-For-Rents with new finishes and the latest appliances are in high demand, as are replacement properties for renters seeking to trade up.

Institutional investors prefer these new Build-For-Rents with standard builder warranty attributes that insulate them from significant operating expenses. With “new” homes, the rental operators can easily predict property taxes and property insurance as their primary, if not sole costs of operation.

### Cultural and Generational Shifts in Housing

In addition to the post-recession impact on the Build-For-Rent market, there is an ongoing cultural/demographic shift impacting the affordable single-family residential sector in the US. There has been strong mid-level employment growth in Florida that has expanded the population and increased demand for rental properties in the company’s initial market.

More American families are renting homes now than ever before. . This is a reversal from the Baby-Boomer generation that was dedicated to home ownership as a fundamental part of the “American Dream” between WWII and the end of the century. Baby-Boomers saw homes in the ‘70’s, ‘80’s and ‘90’s rapidly multiply in value. Those growth rates no longer exist in most US regions. Interestingly, many Baby-Boomers are also seeking rentals now.

Millennials in many cases don’t have the financial means to purchase a home. They also generally favor renting or leasing items instead of owning them as they are more focused on experiences than material goods. Furthermore, their joint family standard deduction on their annual tax returns of \$24,000 competes with the itemized interest and property tax deductions for homes \$400,000 or less in price. The lack of opportunity for capital appreciation and the loss of some of the tax deduction benefits are tipping the balance in the rent vs. buy equation.

Traditional garden apartments and townhomes have gotten expensive with rents approaching the \$1,750 to \$2,000 range in most growing Metropolitan Service Areas – especially in the top 20. More and more renters, particularly those who are starting families, are less interested in workout rooms, party rooms and large swimming pools. Instead they are interested in detached living in homes and can achieve that with little or no increase in monthly rental cost.

These demographic changes, cultural shifts and new tax laws have led to what the company believes is a “perfect storm” that is driving this 21st century rush into rental housing. In turn, this has stoked acute demand among institutional investors for Build-For-Rent’s and created large opportunities for the company’s offerings.

### Market Segment Size and Growth

Recent data shows an increase in the demand for and construction of Single Family Rental homes units:

- 3.9 million new rental units are forecast for 2016-2020, of which 1.5 million are expected to be homes (Source: US Census and Green Street Advisors).
- 9.2% increase in home rental units from 2016-20.
- Total target market is 17.2 million home rental units.

Much of this growth is being fueled by the under-supply of rental housing inventory. Purchases of Build For Rent homes to satisfy this demand are being driven by large scale orders and

requests for proposals from institutional investors that continue to grow. Current estimates are in the hundreds of billions of dollars being invested in the single-family rental sector over the next five years.

Recent market data analysis from John Burns Real Estate Consulting on the single-family rental market analysis and forecast suggests that growth in the rental market remains strong:

Fundamentals across the single-family rental (Single Family Rental) sector stayed strong in the 4<sup>th</sup> quarter of 2018, and are expected to remain so in 2019. Factors fueling Single Family Rental demand include:

- Solid job and income growth across almost all top Single Family Rental markets
- Sluggish for-sale housing backdrop, with buyer hesitancy and affordability headwinds benefitting Single Family Rental
- National occupancy rates hitting a 20-year high of 94% (with REITs even higher at 96%)

Nationally, Single Family Rental rents rose 3.3% year-over-year (YOY) in January 2019 per their Burns Single-family Rent Index™, relatively unchanged from 3.5% YOY in January 2018.

- Strongest YOY rent growth: Jacksonville, Orlando, and Las Vegas (6%); Atlanta, Salt Lake City, and Phoenix (all roughly 5%)
- Weakest YOY rent growth: Cincinnati (1%); Miami, Chicago, Raleigh-Durham, Houston, and Indianapolis (all below 3%)

Single Family Rental REITs recorded solid demand metrics again in the 4<sup>th</sup> quarter of 2018, with renewals up 4.7% YOY, new leases up 2.7%, and 96% stabilized occupancy. In addition, AMH recently reported 3.1% YOY same-store blended rent growth in January 2019, while INVH reported 4.3% in January 2019 and 4.7% in February 2019.

Home values continue to increase, albeit at a moderated pace. Nationally, home values rose 4.5% YOY in January 2019, down from 6.7% YOY in January 2018.

The Strongest YOY price appreciation is in the following cities: Las Vegas (+11%), Atlanta and Salt Lake City (+9%) and the weakest YOY price appreciation has been in Chicago (+1.5%), Denver and Houston (+4%)

The report forecast 3% national Single Family Rental rent growth in 2019, driven mainly by a continued backdrop of healthy Single Family Rental supply/demand fundamentals, steady economy, and homeownership affordability headwinds. Acceleration in consumer preferences towards renting also support optimism around Single Family Rental.

The consultancy studied interest in homeownership and found that renters between the ages of 53–71 expressed the least interest in homeownership, with 42% of respondents reporting no interest in ever owning a home, up from 23% in 2016. Millennials and Gen-X members are also less interested in owning than in prior years according to their survey.



More specifically, the company's initial target markets in Florida show Millennials wanting a space without having a lot of owner upkeep. Single lot, urban infill is trending along with "Villa Style" units. The first three quarters of 2018 experienced strong growth in a number of Metropolitan Service Areas:

- Tampa, Jacksonville, Tallahassee, Orlando experienced 4% Blended Rate Change (BRC).
- Ft. Lauderdale, W. Palm Beach, Charlotte and Raleigh-Cary saw 3-4% BRC.

In addition to looking at the overall numbers of Build-For-Rent's and the regional growth percentages, it is instructive to look at the number of Build-For-Rent's already under management at the large institutional investors seeking more inventory, including the following:

- 300,000 units: Blackstone, Colony and Invitation Homes.
- 250,000 units: American Homes 4 Rent, Progress Residential, Main Street Renewal, Tricon and Front Yard.
- 20,000 units: Amherst Residential.

### **Operations and Market Ecosystem**

The company has been designed to be very flexible in its operations. Each Operating Subsidiary can ramp-up quickly to build out "mini neighborhoods" based on the funding tranches it receives. The company has already identified many good land opportunities in its area of focus in Florida and it is continually talking to potential executives about joining the management team.

Typical development for a 25-home neighborhood with all-in costs will be approximately \$7M. The company can build these in approximately one year.

The company plans to start by developing 25+ unit neighborhoods. During its initial 12 months it plans on building 10+ new mini-neighborhoods. The plan is to presell these to institutional investors who will pay by percent completion as construction progresses.

There are five major components in the company's ecosystem:

- **Rental tenants** are the ultimate consumers who rent these new Build-For-Rent's. These are typically mid-level employees working at local and regional firms. Not all have college degrees, e.g.: FedEx / UPS drivers, IT workers, mid-level medical workers, retail managers, warehouse managers - not doctors and financial executives. Average age is 35 – 45, with household income averaging \$125,000, married with 1-2 children seeking to live in a single-family residence.
- **Institutional investors** are the company's real customers. The buyers of Build-For-Rent units are private equity firms, hedge funds, REIT's and national rental operators who want large volumes of new homes on contiguous land that they can easily market and manage. We believe that they are eager to buy these pre-packaged properties either directly or through brokers in high volumes from 20 -1000 properties.

- **SVN/SFRhub** is an online marketplace / intermediary for buying and selling Build-For-Rents. It is part of the fifth largest commercial real estate broker in the US (formerly named Sperry Van Ness). SVN/SVRhub operates between the company and the institutional investors buying Build-For-Rent's. They help match the needs of the institutional buyers with the various inventories coming from the company and other developers. They enable sellers to easily manage property listings for buyers to research, identify, underwrite and transact on investment portfolios that meet their criteria. The company expects that **SVN/SFRhub** will be the initial sales channel for the company to reach institutional Build-For-Rent buyers.
- The **company**, through its Operating Subsidiaries, will buy parcels of land and build single family homes for the Build-For-Rent market. The company will then sell these Build-For-Rents directly to large institutional investors in groups of 20+ houses or indirectly through brokers and marketplaces like **SVN/SFRhub**. The company will package these Build-For-Rents into groups of contiguous parcels of land in order to facilitate high volume purchases that institutional investors seek. In most cases, larger packages of Build-For-Rents will be easier to sell than smaller ones and the larger the group of homes, the easier they are to sell and the more profitable they are. The Company intends to secure institutional buyers before we break ground on our developments.
- **Mortgage brokers and specialized lenders** offer loans to developers/builders like the company in order to help finance new construction of these Build-For-Rents. Traditional banks and lending companies like Corevest Financial, Anchor Financial and others offer loans for a broad range of Build-For-Rent developers like ERC Homebuilders.

## Competition

There are numerous developers competing in the Build-For-Rent space: The Mungo Companies, Bernard Partnership, and T.W. Lewis have all been building Build-For-Rent's for over a decade. Taylor Morrison is now entering the Build-For-Rent market. Big developers like Lennar and others are likely to pursue this market in time.

Some of the leaders in the company's area are: NexMetro, AHV Communities, BB Living, Christopher Todd Communities and Camillo Homes. For more detail see this article on the Single Family Rental Industry.

The company will differentiate itself from these other Build-For-Rent developers in a number of ways. For example, adding Eco Living options will be a great rental tool. In addition to the environmentally friendly positioning that may appeal to renters, it also can lower their costs or allow landlords to increase rents. These could include low e-impact windows, ISO insulation, venting, etc. These can be achieved for as low as \$5-8 per square foot and make the home more appealing.

The company anticipates the main competition with these companies will be focused on land acquisition. Construction costs are fairly consistent but bidding on parcels of land is likely the

main battlefield where the company will encounter its key competition. To that end, the company will employ highly qualified land / entitlement / zoning executives to oversee these tasks.

### **ERC's Relationship with each Operating Subsidiary**

ERC has entered into a management services agreement with ERC Homebuilders 1 on February 18, 2019 and an agreement with ERC Homebuilders 2 on April 19, 2019 (each a "Management Services Agreement"). Under that agreement, ERC will manage the Operating Subsidiary and allow the Operating Subsidiary to use certain intellectual property and business concepts. Each Operating Subsidiary will incur direct and indirect capitalized costs and overhead expenses, some of these costs will be exclusive to ERC Homebuilders while other costs will be shared among the Operating Subsidiaries and any other future ERC subsidiaries.

Direct capitalized costs and overhead expenses will be paid by the Operating Subsidiary directly (e.g., salaries, board of director and board of advisor fees, employee benefits, and general administrative costs).

Indirect capitalized costs and overhead expenses will be paid by ERC and then reimbursed by applicable Operating Subsidiary. Indirect capital costs and overhead expenses that will be exclusive to will be reimburse in full by the Operating Subsidiary (e.g., architectural costs, engineering, land, zoning and permitting and other costs directly related to assets belonging to that Operating Subsidiary).

Each Operating Subsidiary will be responsible for its share of capitalized costs once it has commenced fundraising under Regulation A (a "ERC Active Subsidiary" or "ERC Active Subsidiaries," as applicable). ERC reserves the right to defer the collection of reimbursements from the ERC Active Subsidiaries, if, in its sole discretion, it determines that such reimbursements should be shared amongst the ERC Active Subsidiaries and any additional subsidiaries.

Unless deferred, indirect capitalized costs, will be reimbursed pro-rata based the total number of ERC Active Subsidiaries.

Overhead expenses, which will be reported monthly, will be allocated among the ERC Active Subsidiaries based upon the number of facilities. Each parcel of land that an ERC Active Subsidiaries closes on, is considered a facility. If an ERC Active Subsidiary has yet to purchase land, that subsidiary will be considered to have one facility.

The initial term of the agreement is ten years and is automatically renewable. Either party can terminate the agreement by written notice 180 days prior to the end of the current term.

For additional information please see the Management Services Agreement template, which is Exhibit D to this PPM.

## **Employees**

ERC has a total of 3 employees and currently, all three employees at ERC dedicate half of their time to ERC.

Pursuant to the Management Services Agreement, ERC intends to oversee the development and construction of the first Build-For-Rent single-family home project for each Operating Subsidiary. During the initial year of development and as that facility nears completion, ERC's executives will commence hiring the full-time direct staff that the Operating Subsidiary will then employ.

## **Advisory Board**

Our one advisory board member is Bryan Langton.

## **Regulation**

It is likely that the following licenses and permits will be required to operate each facility within the United States. At this time, none of the licenses and/or permits have been acquired.

- Construction permits.
- County resale tax certificate.
- "Doing Business As" certificates for applicable states.
- Elevator and Fire department certifications, required annually.

## **Litigation**

The company has no litigation pending and the management team is not aware of any pending or threatened legal action relating to the company business, intellectual property, conduct or other business issues.

## **The Company's Property**

The company does not currently own property. However, both of the subsidiaries, ERC Homebuilders 1 and ERC Homebuilders 2, are actively sourcing potential sites for their first locations in Florida. The company believes, the subsidiaries will purchase land by the middle of 2019.

## **Conflicts of Interest**

We are subject to various conflicts of interest arising out of our relationship with the Operating Subsidiaries and our affiliates. We discuss these conflicts below.

## General

ERC is the parent company of ERC Homebuilders 1 and ERC Homebuilders 2 and currently holds all of the issued Common Stock of ERC Homebuilders 1 and ERC Homebuilders 2. ERC is also affiliated with KGEM Golf, Inc. (KGEM), many if not all of the executives are the same for ERC, ERC Homebuilders 1, ERC Homebuilders 2, KGEM, and KGEM's subsidiaries.

The owners and executives of the company have legal obligations with respect to ERC Homebuilders 1, ERC Homebuilders 2, KGEM and KGEM's subsidiaries that are similar to their obligations to us. In the future, these persons and other affiliates of ERC and KGEM may organize/acquire for their own account real estate-related or debt-related investment programs. While ERC and the company is not in direct competition with KGEM since KGEM is focusing on developing commercial properties and ERC and its Operating Subsidiaries are focusing on residential developments, there is a chance that certain of KGEM's acquisitions could have been suitable for us.

#### Allocation of Our Affiliates' Time

ERC relies on its executive officers and other professionals who act on behalf of the Operating Subsidiaries and ERC, for the day-to-day operation of our business.

As a result of the executives competing responsibilities, their obligations to other investors and the fact that they will continue to engage in other business activities on behalf of themselves and others, they will face conflicts of interest in allocating their time to ERC and other entities and other business activities in which they are involved. However, the company believes that the executive officers and investment professionals have sufficient depth to fully discharge their responsibilities to the company and the other entities for which they work.

#### Receipt of Fees and Other Compensation by ERC and its Affiliates

ERC and its affiliates will receive substantial fees from each Operating Subsidiary, which fees will not be negotiated at arm's length. These fees could influence ERC's advice to such Operating Subsidiary as well as the judgment of the affiliated executives of ERC and the Operating Subsidiaries (which are one in the same).

## RISK FACTORS

AN INVESTMENT IN THE COMPANY INVOLVES SIGNIFICANT RISK AND IS SUITABLE ONLY FOR PERSONS WHO ARE CAPABLE OF BEARING THE RISKS, INCLUDING THE RISK OF LOSS OF A SUBSTANTIAL PART OR ALL OF THEIR INVESTMENT. CAREFUL CONSIDERATION OF THE FOLLOWING RISK FACTORS, AS WELL AS OTHER INFORMATION IN THIS PPM IS ADVISABLE PRIOR TO INVESTING. PROSPECTIVE INVESTORS SHOULD READ ALL SECTIONS OF THIS PPM AND ARE STRONGLY URGED AND EXPECTED TO CONSULT THEIR OWN LEGAL AND FINANCIAL ADVISERS BEFORE INVESTING IN THE SHARES. THE INFORMATION IN THIS PPM INCLUDING THE COMPANY'S BUSINESS PLAN CONTAINS BOTH HISTORICAL AND FORWARD-LOOKING STATEMENTS. PLEASE BE ADVISED THAT THE COMPANY'S ACTUAL FINANCIAL CONDITION, OPERATING RESULTS AND BUSINESS PERFORMANCE MAY DIFFER MATERIALLY FROM THAT ESTIMATED BY THE COMPANY IN FORWARD-LOOKING STATEMENTS. THE COMPANY HAS ATTEMPTED TO IDENTIFY, IN CONTEXT, CERTAIN OF THE FACTORS THAT IT CURRENTLY BELIEVES COULD CAUSE ACTUAL FUTURE RESULTS TO DIFFER FROM THE COMPANY'S CURRENT EXPECTATIONS. THE DIFFERENCES MAY BE CAUSED BY A VARIETY OF FACTORS, INCLUDING BUT NOT LIMITED TO, ADVERSE ECONOMIC CONDITIONS, COMPETITORS (INCLUDING THE ENTRY OF NEW COMPETITORS), INADEQUATE CAPITAL, UNEXPECTED COSTS, LOWER REVENUES AND NET INCOME THAN ANTICIPATED, FLUCTUATION AND VOLATILITY OF THE COMPANY'S OPERATING RESULTS AND FINANCIAL CONDITION, INABILITY TO CARRY OUT MARKETING AND SALES PLANS, LOSS OF KEY EXECUTIVES OR OTHER PERSONNEL, AND OTHER RISKS THAT MAY OR MAY NOT BE REFERRED TO IN THESE RISK FACTORS.

### **Risks relating to our business**

#### ***This is a very young company.***

The company was incorporated on October 24, 2018. It is a startup company that has not yet started operations, and has not started to build its Build-For-Rent properties. There is no history upon which an evaluation of its past performance and future prospects can be made. Statistically, most startup companies fail.

#### ***The company has minimal operating capital, no significant assets and no revenue from operations.***

The company currently has minimal operating capital and for the foreseeable future will be dependent upon its ability to finance its planned operations from the sale of securities or other financing alternatives. There can be no assurance that it will be able to successfully raise operating capital in this or other offerings of securities, or to raise enough funds to fully construct and market single-family homes as described in this offering plan. The failure to successfully raise operating capital could result in its inability to execute its business plan and potentially lead to bankruptcy, which would have a material adverse effect on the company and its investors.

#### ***The company's revenues will be derived primarily from operating profits earned on the***

***joint ventures that it operates with its Operating Subsidiaries.***

Although the company projects that it will hold an approximate 80% interest in each Operating Subsidiary, it anticipates that the Operating Subsidiaries will not make distributions for the foreseeable future, because the Operating Subsidiaries will prioritize internal growth and the payment of dividends to holders of their Preferred Shares. The company's revenues will therefore derive solely from its pro rata share of joint venture net cash flows. The company's sources of cash flow and thus ability to distribute revenues will be limited accordingly.

***The success of ERC and its Operating Subsidiaries' business is dependent on purchasing large and specific parcels of land at favorable prices.***

ERC is a capital-intensive operation and requires the purchase of large and specific parcels of land appropriate for the construction of one and two-family homes. As of the date of this PPM, the company has not purchased land for the first Florida/Southeastern facility. Further, the company does not know whether it will be able to obtain purchase terms that are favorable. Finally, if the company does not raise enough capital to purchase the land and begin construction, the company will need to procure external financing for the purchase of the land and/or construction of the properties.

***The company plans to raise significantly more capital and future fundraising rounds could result in dilution.***

ERC will need to raise additional funds to finance its operations or fund its business plan. Even if the company manages to raise subsequent financing or borrowing rounds, the terms of those borrowing rounds might be more favorable to new investors or creditors than to existing investors such as you. New equity investors or lenders could have greater rights to our financial resources (such as liens over our assets) compared to existing shareholders. Additional financings could also dilute your ownership stake, potentially drastically.

**Risks Related to investments in real estate**

***There are inherent risks with real estate investments.***

Real estate assets are subject to varying degrees of risk. For example, the real estate we intend to acquire will not be able to be quickly converted to cash, limiting our ability to promptly vary our portfolio in response to changing economic, financial and investment conditions. Real estate assets also are subject to adverse changes in general economic conditions which reduce the demand for rental space. Other factors also affect the value of real estate assets, including:

- ② federal, state or local regulations and controls affecting rents, zoning, prices of goods, fuel and energy consumption, water and environmental restrictions;
- ② the attractiveness of a property to tenants; and
- ② labor and material costs.

Further, our investments may not generate revenues sufficient to meet operating expenses.

***Your investment is directly affected by general economic and regulatory factors that impact real estate investments.***

Because we will primarily develop residential real estate, we are impacted by general economic and regulatory factors impacting real estate investments. These factors are generally outside of our control. Among the factors that could impact our real estate assets and the value of your investment are:

- ② local conditions such as an oversupply of space or reduced demand for real estate assets of the type that we own or seek to acquire;
- ② inability to find investors interested in our residential developments;
- ② inability to purchase land on favorable terms;
- ② inflation and other increases in operating costs, including insurance premiums, utilities and real estate taxes;
- ② adverse changes in the laws and regulations applicable to us;
- ② the relative illiquidity of real estate investments; changing market demographics;
- ② an inability to acquire and finance properties on favorable terms;
- ② acts of God, such as earthquakes, floods or other uninsured losses; and
- ② changes or increases in interest rates and availability of permanent mortgage funds.

In addition, periods of economic slowdown or recession, or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or increased defaults under existing leases.

***Success in the real estate industry can be highly unpredictable and there is no guarantee the company's business model will be successful in the market.***

The company's success will depend on whether it and its Operating Subsidiaries can successfully build and market two-family homes specifically for the Build-For-Rent market. The company is exposed to a lack of interest for the kind of properties we build by wholesalers as well as its inability to predict whether consumers would be interested in renting the properties. Consumer tastes, trends and preferences frequently change and are notoriously difficult to predict. If the company fails to anticipate future real estate investor and consumer preferences its business and financial performance will likely suffer. The real estate industry is fiercely competitive. The company may not be able to develop and sell properties in a profitable way.



***The company or its Operating Subsidiaries may not secure pre-commitments for developments prior to breaking ground.***

Neither the company, nor its Operating Subsidiaries, have signed any pre-sale agreements with any institutional investors. While we plan to enter into such agreements prior to completion of our developments, there is no guarantee that we will be able to do so. If we cannot sign any agreements prior to breaking ground or at some time prior to the construction and completion of our developments, we may incur additional costs related to sales and marketing and may be delayed in completing our developments or be subject to additional management expenses.

***If we and our Operating Subsidiaries successfully develop our Build-For-Rent properties but are not able to sell them in a timely manner, we may need to operate the and manage the properties as owners, which would add additional operational expenses and may result in significant losses***

The company's success will also depend on whether it can successfully resell its properties developed for the Build-For-Rent market either prior to completion of construction or in a timely manner thereafter. There is no guarantee that we will be able to sell our properties in a timely manner or ever. If we are unable to sell the completed properties, we will need to dedicate significant resources to managing and leasing our properties, which would pose an added financial and management burden on the company.

***Geographic concentration of our portfolio may make us particularly susceptible to adverse economic developments in the real estate markets of those areas.***

In the event that we have a concentration of properties in a particular geographic area, our operating results and ability to make distributions are likely to be impacted by economic changes affecting the real estate markets in that area. A shareholder's investment will be subject to greater risk to the extent that we lack a geographically diversified portfolio of properties.

***Our operating results may be negatively affected by potential development and construction delays and the resulting increase in costs and risks.***

Developing real estate properties subjects us to uncertainties such as the ability to achieve desired zoning for development, environmental concerns of governmental entities or community groups, ability to control construction costs or to build in conformity with plans, specifications and timetables. Delays in completing construction also could give tenants the right to terminate preconstruction leases for spaces at a newly-developed project and any potential investors we pre-sold our developments to may pull out of such agreements. We may incur additional risks when we make periodic progress payments or advance other costs to third parties prior to completing construction. These and other factors can increase the costs of a project or cause us to lose our investment. In addition, we will be subject to normal lease-up risks relating to newly constructed projects. Furthermore, we must rely upon projections of rental income and expenses and estimates of fair market value upon completing construction when agreeing upon a price to be charged for the property. If our projections are inaccurate, we may not be able to sell a property on favorable terms.

***Potential development and construction delays and increases in the prices of building materials due to tariffs or other reasons and resultant increased costs and risks may hinder our operating results and decrease our net income.***

Uncertainties associated with the development and construction of real property, including those related to re-zoning land for development, environmental concerns of governmental entities and/or community groups and our builders' ability to build in conformity with plans, specifications, budgeted costs and timetables. If a builder fails to perform, we may resort to legal action to rescind the construction contract or to compel performance. A builder's performance may also be affected or delayed by conditions beyond the builder's control including availability of raw materials and related expenses. Delays in completing construction could also give tenants the right to terminate preconstruction leases. We may incur additional risks when we make periodic progress payments or other advances to builders before they complete construction. These and other factors including price increases in raw materials can result in increased costs of a project or loss of our investment.

***Terrorist attacks and other acts of violence or war may affect the markets in which we operate, our operations and our profitability.***

We may acquire real estate assets located in areas that are susceptible to attack. These attacks may directly impact the value of our assets through damage, destruction, loss or increased security costs. Although we may obtain terrorism insurance, we may not be able to obtain sufficient coverage to fund any losses we may incur. Risks associated with potential acts of terrorism could sharply increase the premiums we pay for coverage against property and casualty claims. Further, certain losses resulting from these types of events are uninsurable or not insurable at reasonable costs.

More generally, any terrorist attack, other act of violence or war, including armed conflicts, could result in increased volatility in, or damage to, the United States and worldwide financial markets and economy. Any terrorist incident may, for example, deter people from traveling, which could affect the ability of our hotels to generate operating income and therefore our ability to pay distributions to you. Additionally, increased economic volatility could adversely affect our tenants' ability to pay rent on their leases or our ability to borrow money or issue capital stock at acceptable prices.

***The costs of complying with environmental laws and other governmental laws and regulations may adversely affect us.***

All real property and the operations conducted on real property are subject to federal, state and local laws and regulations relating to environmental protection and human health and safety. These laws and regulations generally govern wastewater discharges, air emissions, the operation and removal of underground and above-ground storage tanks, the use, storage, treatment, transportation and disposal of solid and hazardous materials, and the remediation of contamination associated with disposals. Some of these laws and regulations may impose joint and several liability on tenants, owners or operators for the costs of investigating or remediating contaminated properties, regardless of fault or whether the original disposal was legal. In addition, the presence of these substances, or the failure to properly remediate these

substances, may adversely affect our ability to sell or rent the property or to use the property as collateral for future borrowing.

Some of these laws and regulations have been amended to require compliance with new or more stringent standards as of future dates. Compliance with new or more stringent laws or regulations or stricter interpretation of existing laws may require us to spend material amounts of money. Future laws, ordinances or regulations may impose material environmental liability. Further, the condition of our properties may be affected by tenants, the condition of the land, operations in the vicinity of the properties, such as the presence of underground or above-ground storage tanks, or the activities of unrelated third parties. We also are required to comply with various local, state and federal fire, health, life-safety and similar regulations.

***ERC and its Operating Subsidiaries operate in a highly competitive market.***

ERC and its Operating Subsidiaries plan to operate in a highly competitive market and faces intense competition. Competitors include The Mungo Companies, Bernard Partnership, and T.W. Lewis, which have all been building Build-For-Rent properties for over a decade. Taylor Morrison is now entering the Build-For-Rent market. Big developers like Lennar and others are likely to pursue this market in time. Many of the company's current and potential competitors have greater resources, longer histories, more customers, and greater brand recognition. Competitors may secure better terms from vendors, adopt more aggressive pricing and devote more resources to technology, infrastructure, fulfillment, and marketing. Further, ERC Homebuilders 1 and ERC Homebuilders 2 properties will compete on a local and regional level developers that are active in the company's initial markets that include NexMetro, AHV Communities, BB Living, Christopher Todd Communities and Camillo Homes. The number and variety of competitors in this business will vary based on the location and setting and is also subject to fluctuating economic factors.

***Customer complaints or litigation on behalf of our customers or employees may adversely affect our business, results of operations or financial condition.***

The company's business may be adversely affected by legal or governmental proceedings brought by or on behalf of their customers or employees. Regardless of whether any claims against the company are valid or whether they are liable, claims may be expensive to defend and may divert time and money away from operations and hurt our financial performance. A judgment significantly in excess of their insurance coverage or not covered by insurance could have a material adverse effect on the company's business, results of operations or financial condition. Also, adverse publicity resulting from these allegations may materially affect the company.

***Our insurance coverage may not be adequate to cover all possible losses that it could suffer and its insurance costs may increase.***

As of the date of this PPM, neither the company nor its Operating Subsidiaries have acquired insurance. It may not be able to acquire insurance policies that cover all types of losses and liabilities. Additionally, once the companies acquires insurance, there can be no assurance that its insurance will be sufficient to cover the full extent of all of its losses or liabilities for which

they are insured. Further, insurance policies expire annually and there can be no guarantees that those policies will be able to be renewed on favorable terms, or at all. In addition, if we sustains significant losses or makes significant insurance claims, then our ability to obtain future insurance coverage at commercially reasonable rates could be materially adversely affected. If the insurance coverage is not adequate, or the company or its Operating Subsidiaries become subject to damages that cannot by law be insured against, such as punitive damages or certain intentional misconduct by their employees, this could adversely affect the company's financial condition or results of operations.

***The company has concentrated its investments single-family homes to be built in smaller groupings, which are subject to numerous risks, including the risk that the values of their investments may decline if there is a prolonged downturn in real estate values.***

The company's operations will consist entirely of large amounts of real estate holdings. Accordingly, the company is subject to the risks associated with holding real estate investments. Changes in the preferences and interests of potential purchasers of properties developed by the company and fluctuations in the value of real estate in the areas where the company has purchased real estate may negatively affect the company's business.

The company's real estate holdings will be subject to risks typically associated with investments in real estate. The investment returns available from equity investments in real estate depend in large part on the amount of income earned, expenses incurred and capital appreciation generated by the related properties. In addition, a variety of other factors affect income from properties and real estate values, including governmental regulations, real estate, insurance, zoning, tax and eminent domain laws, interest rate levels and the availability of financing. For example, new or existing real estate zoning or tax laws can make it more expensive and time-consuming to expand, modify or renovate older properties. Under eminent domain laws, governments can take real property. Sometimes this taking is for less compensation than the owner believes the property is worth. Any of these factors could have an adverse impact on our business, financial condition or results of operations.

***The illiquidity of real estate may make it difficult for the company to dispose of one or more of our properties or negatively affect its ability to profitably sell such properties and access liquidity.***

The company's business is to sell its real estate assets. Because real estate holdings generally, are relatively illiquid, the company may not be able to dispose of one or more real estate assets on a timely basis. In some circumstances, sales may result in investment losses which could adversely affect the company's financial condition. The illiquidity of its real estate assets could mean that it is forced to hold on to real estate for longer than planned or indefinitely. Failure to dispose of a real estate asset in a timely fashion, or at all, could adversely affect the company's business, financial condition and results of operations.

***The company's development and construction of the first Florida Build-For-Rent properties depends on its ability to obtain favorable mortgage financing.***

The company intends to secure mortgage financing to fund up to 70% of its first Florida developments by ERC Homebuilders 1 and ERC Homebuilders 2 and plans to use debt financing to develop and construct subsequent Build-For-Rent properties. There is no guarantee that the company will be able to obtain financing on favorable terms. In the event that the company is unable to obtain such financing it may limit the company's ability to effectuate its plans and will increase the costs and expenses of the company, thereby negatively impacting its financial prospects.

***ERC depends on a small management team and may need to hire more people to be successful.***

The success of ERC will greatly depend on the skills, connections and experiences of the executives, Gerald Ellenburg,,Ryan Koenig, and David Morris. ERC has not entered into employment agreements with the aforementioned executives. There is no guarantee that the executives will agree to terms and execute employment agreements that are favorable to the company. Should any of them discontinue working for ERC, there is no assurance that the company will continue. Further, there is no assurance that the company will be able to identify, hire and retain the right people for the various key positions.

***Key Man Risk.***

The company's founders and key men are serial entrepreneurs. It is likely that some, if not all of the founders and key men, may exit the business within the next three years. In the event one or more of our founders and/or key men exit the business the company may experience following:

- ☐ financial loss;
- ☐ a disruption to the organization's future projects;
- ☐ damage to the brand; and
- ☐ potentially supporting a competitor.

***The company's Operating Subsidiaries will require a general manager, who has not yet been hired.***

ERC is currently performing an executive search for the general manager and operator of ERC Homebuilders 1 and has yet to begin a search for ERC Homebuilders 2. There is no way to be certain that the general manager of either Operating Subsidiary, once appointed, will be able to execute the same vision as ERC itself. If an appropriate person is not identified and hired, the company will not succeed and since its performance will depend on that person's performance.

**Risks relating to this Offering and our shares**

***The payment of accrued dividends is paid out of the company's reserved funds for the foreseeable future.***

As soon as the company receives proceeds from this Offering and it is legally permissible, the company intends to pay dividends to investors. The dividend will initially be paid to investors

out of the company's reserved funds, as opposed to its revenues. Payment of the dividends and the establishment of the reserve fund will reduce the capital the company has to assist its Operating Subsidiaries in developing and beginning to market single-family Build-For-Rent properties. These reserved funds will be held in a segregated account money market account located at Fifth Third Bank, Cincinnati, OH. Most, if not all, of the reserved funds in the dividend reserve account will be the proceeds from this Offering. (See "Use of Proceeds"). It is not certain when, if at all, the company will be able to make dividends payments to investors out of the company's revenues.

***Distributions will be only made if permitted under Delaware law, which is subject to change, and in the sole discretion of the board of directors.***

Pursuant to section 170 of the Delaware General Corporation Law ("Delaware Law"), dividends may be paid out of "surplus" even in the absence of profits. Under section 154, "surplus" may be defined by the board of directors, in their sole discretion, but generally may not be less than the par value of the shares issued. Accordingly, most of the proceeds of this Offering may be considered surplus. However, Delaware Law is subject to change, and the company cannot guarantee that dividend payments will always be permitted under Delaware Law.

***The tax treatment of dividends may vary and distributions to shareholders may be taxed as capital gains.***

The distributions made pursuant to the Preferred Stock dividend provisions will be taxable as dividends to shareholders only to the extent of current and accumulated earnings and profits. If the company does not have current and accumulated earnings and profits, then the distributions will be treated as a non-taxable return of capital to the extent of the shareholder's adjusted basis. If distributions exceed the amount of invested capital, such distributions would be considered as capital gains income to the shareholder, who will generally be subject to federal (and possibly State) income tax. Since the tax treatment of any distributions may vary according to the financial performance of the company, as well as the particular circumstances of the investor, investors should consult their own tax advisers, and should further not assume that the distributions will be subject to the same tax treatment from year to year.

***The company is responsible for certain administrative burdens relating to taxation.***

Federal law required that the company report annually all distributions to shareholders on a Form 1099-DIV. The company is responsible for ensuring that the extent to which such distributions constitute a distribution of earnings and profits is correctly identified on form 1099-DIV. This reporting requirement adds to the administrative burdens of the company.

***The Offering price has been arbitrarily set by the company.***

ERC has set the price of its Preferred Stock at \$1.02 per share. Valuations for companies at ERC's stage are purely speculative. The company's valuation has not been validated by any independent third party and may fall precipitously. It is a question of whether you, the investor, are willing to pay this price for a percentage ownership of a start-up company. You should not invest if you disagree with this valuation.

***We are offering a discount on our stock price to investors who invest over \$500,000.***

Investors investing over \$500,000 in Preferred Stock will receive an additional discount on the offering price; see “Offering Summary – Price per Share.” Further, the company has the right in its sole discretion to reduce the share price for certain investors. The discount for those investing over \$500,000 and any other discount to the share price may immediately dilute the value of your stock. Therefore, the value of shares of investors who pay the full price in this offering will be diluted by investments made by investors entitled to a discount, who will pay less for the same stake in the company.

***There is no minimum amount set as a condition to closing this Offering.***

Because this is a “best efforts” offering with no minimum, the company will have access to any funds tendered. This might mean that any investment made could be the only investment in this offering, leaving the company without adequate capital to pursue its business plan or even to cover the expenses of this offering.

***The company does not currently have any independent directors.***

The company does not benefit from the advantages of having independent directors, including bringing an outside perspective on strategy and control, adding new skills and knowledge that may not be available within ERC, and having extra checks and balances to prevent fraud and produce reliable financial reports.

***The exclusive forum provision in the company’s Amended and Restated Certificate of Incorporation may have the effect of limiting an investor’s ability to bring legal action against the company and could limit an investor’s ability to obtain a favorable judicial forum for disputes.***

Section VII of the company’s Amended and Restated Certificate of Incorporation contain exclusive forum provisions for certain lawsuits, see “Securities Being Offered – All Classes of Stock – Forum Selection Provisions.” Further, Section 6 of the subscription agreement for this Offering includes exclusive forum provisions for certain lawsuits pursuant to the subscription agreement; see “Securities Being Offered – All Classes of Stock – Forum Selection Provisions.” The forum for these lawsuits will be the Court of Chancery in the State of Delaware. None of the forum selections provisions will be applicable to lawsuits arising from the federal securities laws. These provisions may have the effect of limiting the ability of investors to bring a legal claim against us due to geographic limitations. There is also the possibility that the exclusive forum provisions may discourage stockholder lawsuits, or limit stockholders’ ability to bring a claim in a judicial forum that it finds favorable for disputes with us and our officers and directors. Alternatively, if a court were to find this exclusive forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, the company may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect its business and financial condition.

***Investors in this offering may not be entitled to a jury trial with respect to claims arising under the subscription agreement and claims where the forum selection***

***provision is applicable, which could result in less favorable outcomes to the plaintiff(s) in any such action.***

Investors in this offering will be bound by the subscription agreement, which includes a provision under which investors waive the right to a jury trial of any claim they may have against the company arising out of or relating to the subscription agreement, including any claim under the federal securities laws. Further, the Court of Chancery in Delaware is a non-jury trial court and therefore those claims will not be adjudicated by a jury. See “Securities Being Offered – All Classes of Stock – Jury Trial Waiver.”

If the company opposed a jury trial demand based on the waiver, a court would determine whether the waiver was enforceable based on the facts and circumstances of that case in accordance with the applicable state and federal law. To the company’s knowledge, the enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the federal securities laws has not been finally adjudicated by a federal court. However, the company believes that a contractual pre-dispute jury trial waiver provision is generally enforceable, including under the laws of the State of New York, which governs the subscription agreement, in the Court of Chancery in the State of Delaware. In determining whether to enforce a contractual pre-dispute jury trial waiver provision, courts will generally consider whether the visibility of the jury trial waiver provision within the agreement is sufficiently prominent such that a party knowingly, intelligently and voluntarily waived the right to a jury trial. The company believes that this is the case with respect to the subscription agreement. Investors should consult legal counsel regarding the jury waiver provision before entering into the subscription agreement.

If an investor brings a claim against the company in connection with matters arising under the subscription agreement, including claims under federal securities laws, an investor may not be entitled to a jury trial with respect to those claims, which may have the effect of limiting and discouraging lawsuits against the company. If a lawsuit is brought against the company under the subscription agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have had, including results that could be less favorable to the plaintiff(s) in such an action.

Nevertheless, if this jury trial waiver provision is not permitted by applicable law, an action could proceed under the terms of the subscription agreement with a jury trial. No condition, stipulation or provision of the subscription agreement serves as a waiver by any holder of common shares or by us of compliance with any substantive provision of the federal securities laws and the rules and regulations promulgated under those laws.

In addition, when the shares are transferred, the transferee is required to agree to all the same conditions, obligations and restrictions applicable to the shares or to the transferor with regard to ownership of the shares that were in effect immediately prior to the transfer of the shares of Preferred Stock, including but not limited to the subscription agreement.

***You can’t easily resell the securities***



The Shares are “restricted” under the Securities Act. There are strict limitations on how you can resell your securities for the next year, and they cannot be easily resold even after that year. More importantly, there is no market for these securities, and there might never be one. It’s unlikely that the company will ever go public or get acquired by a bigger company. That means the money you paid for these securities could be tied up for a long time.

#### **Risks related to certain conflicts of interest**

***There are conflicts of interest between the company, its Operating Subsidiaries, its management and their affiliates.***

ERC is the parent company of ERC Homebuilders 1 and ERC Homebuilders 2 and currently holds all of its issued Common Stock. ERC is also affiliated with KGEM Golf, Inc. (“KGEM”) and its subsidiaries (GolfSuites 1, Inc., GolfSuites 2, Inc., GolfSuites 3, Inc., GolfSuites 4, Inc., GolfSuites 5, Inc., and GolfSuites 6, Inc. and many if not all of the executives are the same for KGEM and its subsidiaries as well as ERC and its subsidiaries. Therefore, it is likely that conflicts of interest will arise between the affiliates. Conflicts of interest could include, but are not limited to the following:

- ☐ use of time,
- ☐ use of human capital, and
- ☐ competition regarding the acquisition of properties and other assets.

***The interests of ERC, the Operating Subsidiaries and the company’s other affiliates may conflict with your interests.***

The company’s Amended and Restated Certificate of Incorporation, bylaws and Delaware law provide company management with broad powers and authority that could result in one or more conflicts of interest between your interests and those of the officers and directors of ERC, ERC Homebuilders 1, ERC Homebuilders 2, and the company’s other affiliates. Potential conflicts of interest include, but are not limited to, the following:

- ☐ ERC and the company’s other affiliates will not be required to disgorge any profits or fees or other compensation they may receive from any other business they own separate from the company, and you will not be entitled to receive or share in any of the profits, return, fees or compensation from any other business owned and operated by the management and their affiliates for their own benefit.
- ☐ The company may engage other companies affiliated with ERC to perform services, and determination for the terms of those services will not be conducted at arms’ length negotiations; and
- ☐ The company’s officers and directors are not required to devote all of their time and efforts to the affairs of the company.

***There are conflicts of interest between the company and some of the members of the Board of Directors.***

Rod Turner, the CEO of the online platform on which the company is offering shares, is also a member of the Board of Directors. It is likely that conflicts of interest will arise between the company and the board member. Conflicts of interest include, but are not limited to the following:

- ☐ Determining whether something is in the best interest of the company or the online platform on which the company is listing the Preferred Stock.
- ☐ Whether to keep the Offering open or to close it.
- ☐ Use of time.
- ☐ Payment to the online platform.

***Loans issued by ERC to ERC Homebuilders 1, ERC Homebuilders 2 and other subsidiaries may not be made at arm's length.***

ERC may make various loans to ERC Homebuilders 1, ERC Homebuilders 2 and other future subsidiaries. These transactions may not be at arm's length and therefore there is no way to assure third parties that ERC, ERC Homebuilders 1, ERC Homebuilders 2 or other subsidiaries will be acting in their own self-interest and not subject to pressure or duress from the other party.

***ERC and the Operating Subsidiaries intend to share some services.***

ERC and the Operating Subsidiaries will share the following services:

- ☐ licensing for the use of the name and brand identity, and
- ☐ the services of Manhattan Street Capital.

Internal transactions incorporating products and services, fee sharing, cost allocations, and financing activities can create inefficiency, financial exposures and reporting risk. This arrangement could result in potential actual or perceived conflicts of interest.

## USE OF PROCEEDS

The company currently estimates that, at a per share price of \$1.02, the net proceeds from the sale of up to 30,600,000 shares of Preferred Stock will likely be up to \$27,600,000 after deducting the estimated offering expenses of approximately \$3,000,000.

Net proceeds of this offering will be deployed into joint venture ownerships as described above, select advances to Operating Subsidiaries for their offering costs and select paybacks of promissory obligations.

In addition, proceeds from this offering will be used for the acquisition of land and for certain costs related to the entitlement and zoning for such land. When capital is used for these purposes, the company will enter into a PLA with the applicable Operating Subsidiary. The PLA will allow for fixed lease payments plus allocations of revenue, wherein the company would receive larger lease payments from the applicable Operating Subsidiary in such cases as revenues would increase. The company intends that the PLA's will allow for payments from the Operating Subsidiary to the company in amounts that closely approximate what would be the company's share of net cash flows based on its pro-rata share of total development costs for the facilities owned by the applicable Operating Subsidiary.

### **Dividends and profit sharing dividends**

12% of the proceeds raised in the Offering will be reserved for the payment of dividends. Investors in this Offering will begin to accrue a dividend payment that pays 8% per annum after the issuance of their Preferred Stock. When the funds are legally available for distributions the company intends to pay these dividends monthly. Unpaid dividends will compound annually.

The dividend reserve (12% of the gross proceeds from this Offering) will be held in a money market account located at Fifth Third Bank, Cincinnati, OH. Until the company generates revenue that will support the distribution of dividends, the company intends to pay dividends from the legally available funds in the dividend reserve account.

In the event the company declares a dividend distribution to the Common Stock holders, all Preferred Stockholders will receive their pro rata share.

There is no guarantee regarding the tax treatment of the 8% dividends. Please see "Securities Being Offered – Tax Treatment."

**We reserve the right to change the above use of proceeds if management believes it is in the best interest of the company.**

## MANAGEMENT

ERC Homebuilders, Inc. is managed and operated by the Chief Executive Officer, Gerald Ellenburg and its management team, described below. The table below sets forth the officers and directors of ERC.

<b>Name</b>	<b>Position</b>	<b>Employer</b>	<b>Age</b>	<b>Term of Office (If indefinite give date of appointment)</b>
Gerald Ellenburg	Director Chairman Chief Executive Officer	ERC Homebuilders, Inc.	69	November 8, 2018
Ryan Koenig	Director Chief Development Officer	ERC Homebuilders, Inc.	40	November 8, 2018
David A. Morris III	Consulting Chief Financial Officer	ERC Homebuilders, Inc.	60	November 8, 2018
Scott Smylie	General Counsel	ERC Homebuilders, Inc.	43	December 1, 2018

### **Gerald Ellenburg**

Gerald Ellenburg (“Jerry”) is the Chairman and Chief Executive Officer of ERC since August 2016. Jerry also serves as the Chairman and Chief Executive Officer of KGEM Golf, Inc. since August 2016. Jerry has a total of 35 years of experience in the following areas:

- real estate ownership,
- management and the financing of multi-family properties and
- management of over \$750 million in debt and equity financings.

Jerry graduated from the University of California, Berkeley in 1971, and is a California-licensed CPA (inactive).

### **Ryan Koenig**

Ryan Koenig is a Director and the Chief Development Officer of ERC since December 2018. He is also Director and the Chief Development Officer of KGEM since August 2016. From March 2011 until present he has been the Chief Development Officer at eResidential and Commercial LLC (eRC Homes). Ryan has over 20 years of experience in real estate development and construction with the following companies: Wood Partners Camden Properties, Turner Construction and Zaremba Development. Ryan has overseen approximately \$500 million in completed construction projects.

**David A. Morris III**

David Morris is the Consulting Chief Financial Officer at ERC Homebuilders, Inc. since March 2011 until present. David was also the Consulting Chief Financial Officer of KGEM since August 2016. David has over 30 years of experience in finance and financial forensics. During his tenure at ERC, David will oversee the following:

- tax planning,
- compliance,
- accounting,
- audit,
- forecasts and
- investment analysis.

David's' career has included the Vice-Presidency of Finance at Belz Enterprises, a large real estate development and management company from. David graduated from the University of Wisconsin, La Crosse, in 1980 and is a Tennessee-licensed CPA.

**Rod Turner**

Rod Turner is the founder and CEO of Manhattan Street Capital, since April 2015. Rod was a senior executive at Symantec from January 1985 to March 1993 and has played a key role in building successful companies including Symantec/Norton (SYMC), Ashton-Tate (TATE), MicroPort and Knowledge Adventure Rod co-founded Irvine Ventures in 1999.

**Scott Smylie**

Scott Smylie is the General Counsel and Secretary of ERC since December 2018. Previously, Scott practiced law in Florida at Monica L Sierra PLLC (May 2018 – November 2018), Meridian Partners in Florida (September 2016 - May 2018), and Bivins & Hemenway PA in Florida (May 2012 – June 2015). During Scott's tenure he represented real estate developers, lenders, landlords and tenants, and business entities in a variety of corporate and real estate related transactions. Scott graduated cum laude in 2003 from the University of Florida's School of Law with a Juris Doctor, and also earned a Master's of Science in Real Estate from the University of Florida's School of Business that same year.

**Employment Agreements**

As of the date of this PPM, ERC Homebuilders, Inc. has 5 full and part-time employees representing approximately \$75,000 in monthly operating expenses.

As of the date of this PPM, we have not entered into any employment agreements with our executive officers or other employees.

**Executive Compensation**

The company did not pay any of its officers or directors a salary through December 31, 2018.

One of its directors, Rod Turner, is also the CEO of Manhattan Street Capital, which received \$135,000 in fees in 2018, see "Interest of Management and Others in Certain Transactions".

The company intends to pay salaries beginning July 1, 2019. The highest paid officers of the company will be paid as follows:

<b>Name</b>	<b>Position</b>	<b>Annual Compensation</b>
Gerald Ellenburg	CEO	\$240,000
Ryan Koenig	Development Officer	\$180,000
David A. Morris III	Consulting Chief Financial Officer	\$60,000

The company may choose to establish an equity compensation plan for its management and other employees in the future.

### **Annual Meeting**

Annual shareholder meetings will be held at our principal office or at such other place as permitted by the laws of the State of Delaware and on such date as may be fixed from time to time by resolution of our board of directors.

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## INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS

Gerald Ellenburg and Ryan Koenig receive salaries from ERC HomeBuilders, Inc. and KGEM Golf, Inc. Salaries will be reimbursed by the Operating Subsidiaries.

### *Relations with eRC Homes, LLC*

The company may use capital procured under this Offering to acquire assets currently owned by eRC Homes, LLC and by eRC Homes Capital, LLC, both companies controlled by the company's Chairman / CEO and President / COO. All such transactions will be made at the selling entity's cost.

### *Relationship with KGEM, Inc.*

Some of the parties involved with the operation and management of the company, including Gerald Ellenburg, Rod Turner and David Morris, Bryan Langton, Ryan Koenig and Scott Smylie, have other relationships that may create disincentives to act in the best interest of the company and its investors. These parties are also involved with KGEM, Inc. in similar capacities. These conflicts may inhibit or interfere with the sound and profitable operation of the company. See "Risk Factors — Risks Related to Certain Conflicts of Interest."

### *Relationship with Manhattan Street Capital*

One of our directors, Rod Turner, is also the CEO of Manhattan Street Capital. MSC is listing this Offering on its platform and will list the Regulation A for each of the Operating Subsidiaries on its Platform. Further, ERC has entered into a Consulting Agreement with MSC, which includes consulting services and technology services, see "Plan of Distribution – The Online Platform".

Pursuant to the Reg D Consulting Agreement between ERC and FundAthena, Inc., d/b/a Manhattan Street Capital ("Manhattan Street Capital" or "MSC" as applicable) dated February 28, 2019 (the "Reg D Consulting Agreement"):

- ERC is paying MSC an advisory retainer fee of \$10,000 paid monthly in advance from the effective date through the completion of the financing (a minimum of 9 months engagement) and a cashless 10 year warrant for 360,000 shares of ERC common stock with an exercise price of \$0.25 per share (for the first nine months) and will provide MSC a cashless 10 year warrant for 10,000 shares of ERC common stock with an exercise price of \$0.25 per share for each additional month.
- ERC will pay MSC a technology and administration fee of \$250 per investor, in cash, when each investor deposits funds into the escrow account, and a cashless 10 year warrant to purchase 1000 shares of ERC common stock for \$0.25 per share per investor. The MSC technology admin, verification and service fee includes fees for back-end services, which may be paid to third-party service providers on behalf of the Client, including: AML check, and accredited investor verification.
- ERC will pay MSC a listing fee of \$10,000 per month while the offering is "live" for investment, and each month will provide a 10 year warrant for 40,000 shares of ERC common stock with an exercise price of \$0.25 per share.

All fees are due to MSC regardless of whether investors are rejected after AML checks, accredited investor verification, or the success of the Offering.

In addition, the company has entered into a separate consulting agreement with MSC effective July 15, 2018 (collectively with the “Reg D Consulting Agreement”, the “Consulting Agreements”), which includes consulting services and technology services to be provided by MSC in relation to the Regulation A offerings of the Operating Subsidiaries. The company will owe MSC the following fees in connection with each of the Regulation A offerings:

- A technology and administration fee of \$25 per investor, in cash, paid by the company when each investor deposits funds into the escrow account.
- A cashless 10 year warrant to purchase 100 shares of ERC Parent common stock for \$0.25 per share, per investment into the escrow account, in each Operating Subsidiary Regulation A offering.
  - The warrant calculations shall be capped at a maximum of 30,000 investors, aggregated from the 2 contemplated Regulation A offerings of the two Operating Subsidiaries. Which results in warrants to purchase a maximum of 3,000,000 shares of ERC Parent common stock;
- AML check fees between \$2 and \$6 per investor. AML fees will be dependent on the location of the investor.
- A technology license fee of \$300 per month.
- Any applicable fees for fund transfers (ACH \$2, debit card fees of \$0.35 + 3% as charged by debit card processor, check \$5, wire \$15 or \$35 for international fund transfers).

For each Operating Subsidiary, the company has paid or will pay MSC \$135,000 (\$15,000 per month for 9 months) in cash pursuant to the Regulation A consulting agreement. Prior to the launch of each Operating Subsidiary’s Regulation A Offering, the company will deliver to MSC a cashless 10 year warrants for 540,000 shares of our common stock with an exercise price of \$0.25 per share.

The Consulting Agreements are attached as Exhibit E and Exhibit F to the PPM.



## PRIOR PERFORMANCE SUMMARY

*The information presented in this section represents the historical operating results eRC Homebuilders, Inc. Investors in our common stock should not assume that they will experience returns.*

*The returns to our investors will depend on the performance of the underlying real estate property. Investors should not assume the past performance of ERC Homebuilders, Inc. will be indicative of our future performance.*

The Chairman and the President have previously worked together at eRC Homes, LLC from 2011 until the present time. eRC Homes is a home renovation and new-construction development company that developed approximately 175 homes during this time-period. The primary activity of eRC Homes was the acquisition and renovation of bank-foreclosed single-family residences, unlike the planned activity of ERC, which will be exclusively developing and pre-selling newly built homes. eRC Homes currently inventories approximately 30 homes that it intends to sell during 2019. Certain of these homes may be sold to ERC Homebuilders, Inc. eRC Homes, LLC or its principals have not previously sponsored public offerings of securities for direct investment into any real estate projects or those of any real estate investment vehicle.

## FINANCIAL CONDITION; MATERIAL INDEBTEDNESS

***You should read the following discussion and analysis of our financial condition and results of our operations. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed in the section entitled "Risk Factors" and elsewhere in this Private Placement Memorandum. Further, the company has not prepared any financial statements to date and can make no assurance as to when any such financial statements would be available.***

ERC Homebuilders, Inc. was formed on October 24, 2018, as a Delaware Corporation. ERC has not generated any revenue. ERC is an early stage real estate company devoted to the development and sales of single-family build-for rent properties in Florida.

The company anticipates that its revenues will come from the following:

- Overhead expense reimbursements paid by each Operating Subsidiary to ERC on a monthly basis.
- Pro-rata share of participating lease payments from Operating Subsidiaries with which ERC is a participating lessor.
- Pro-rata share of cash flow distributions from Operating Subsidiaries.

## Results of Operations

From Inception to February 15, 2019, the company had no revenues.

Total operating expenses from Inception to December 31, 2018 were for general and administrative costs and totaled \$ 339,750. In the event ERC's initial Operating Subsidiary, ERC Homebuilders 1, raises sufficient its initial Reg A capital via its planned Regulation A offering, some or most of these costs will be reimbursed to ERC. In such case, the amount of total operating expenses for ERC will be materially reduced.

As a result of the foregoing, the company has generated a net loss of \$ 339,750 due to the fact that reimbursement payments are pending.

#### Monthly Operating Expenses

As of March 1, 2019, the monthly burn rate of ERC is projected to be approximately \$110,000 per month. In the coming months the company anticipates that the monthly burn rate will increase to approximately \$175,000. \$120,000 will be spent on salaries, \$20,000 will be spent on employee benefits and taxes, and \$35,000 will be spent on other general and administrative costs.

Further, pursuant to the Management Services Agreement dated February 18, 2019 with ERC Homebuilders 1 and Management Services Agreement dated April 19, 2019 with ERC Homebuilders 2, ERC is obligated to advance the payment of operating expenses of each Operating Subsidiary to to that Operating Subsidiary until such respective Operating Subsidiary has commenced fundraising under Regulation A and becomes an ERC Active Subsidiary. As of December 31, 2018, ERC Homebuilders 1's monthly burn rate for operating expenses was approximately \$80,000 per month. ERC Homebuilders 2 was incorporated on April 16, 2019. ERC expects the projected burn-rate for for each Operating Subsidiary to increase to \$175,000 per month, most of which will be reimbursed to ERC by the relevant Operating Subsidiary. The increase to \$175,000 is expected when such Operating Subsidiary has achieved substantial financing.

Each Operating Subsidiary intends to begin repayment to ERC all of its accrued monthly operating expenses at the commencement of its Regulation A offering. All accrued operating expenses will be compounded annually at an interest rate of 8%. ERC will have a similar arrangement with each Operating Subsidiary.

All monthly expenses will be reported monthly. Monthly operating expenses include the following:

- salaries and benefits,
- compensation to contractors,
- expenses related to local marketing, promotion and public relations,
- travel,
- legal and accounting and
- insurance and technology.

For additional information regarding expense reimbursement please see the Management Services Agreement template filed as Exhibit D to this PPM.

## Plan of Operation

The company intends to fund operations with the proceeds from this PPM. Further, pursuant to the Management Services Agreements, the company intends to assist with the management of ERC Homebuilders 1's first South Florida facility and ERC Homebuilders 2's first North Florida facility. During the initial two- year time period ERC will focus on hiring and training executives and employees for the Operating Subsidiaries.

As of April 21, 2019, the company along with ERC Homebuilders 1 and ERC Homebuilders 2 are currently in the beginning stages of identifying land throughout the state of Florida. The company intends to finance some of the purchase of the land from proceeds from this Offering.

Over the next 12 months, the company plans to do the following:

- Select and acquire multiple land sites.
- Negotiate and execute mortgage financing for approved segments of home development and construction.
- Negotiate pre-sale contracts with build-for-rent home buyers.
- Finalize site and building design per the overall ERC Homebuilders 1 concept design.
- Commence construction.
- Complete and close the sale of the homes.
- Apply for and receive building permits.
- Execute a general contracting agreement.
- Acquire necessary permits to construct, finish the properties, as applicable.

## Liquidity and Capital Resources

As of December 31, 2018, the company's cash on hand was \$ 75,914. Currently, the company is not generating a profit. The company plans to continue to raise additional capital through additional offerings and mortgage financing. Absent additional capital, the company may be forced to significantly reduce expenses and could become insolvent.

During the past three years, the company has engaged in the following offerings of securities:

- From November 2018 through December 31, 2018, the company sold \$958 in Common Stock pursuant to Rule 506(b) of Regulation D. The company used the proceeds from that offering for general operations and advances to ERC Homebuilders 1.
- In January 2019 and February 2019 the company sold \$21 in Common Stock pursuant to Rule 506(b) of Regulation D. The company used the proceeds from that offering for general operations and advances to ERC Homebuilders 1.
- In January 2019 and February 2019, the company sold \$25,000 in promissory notes. The promissory notes have an interest rate of 12%. The company used the proceeds from that offering for general operations and in part advances to ERC Homebuilders 1 and ERC Homebuilders 2

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets out, as of April 4, 2019 ERC's voting securities that are owned by our executive officers, directors and other persons holding more than 10% of the company's voting securities.

Title of Class	Name and address of Beneficial Owner*	Amount and nature of beneficial ownership	Amount and nature of beneficial ownership acquirable	Percent of Class
Common Stock	Gerald Ellenburg	13,975,000	N/A	31.12%
Common Stock	Ryan Koenig	13,975,000	N/A	31.12%

\*The address for all the executive officers, directors, and beneficial owners is c/o ERC Homebuilders, Inc. 2738 Falkenburg Road South, Riverview, FL 33578

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## SECURITIES BEING OFFERED

ERC's authorized capital stock consists of 160,000,000 shares of Common Stock (the "Common Stock"), at \$0.00001 par value, of which 110,000,000 shares are Class A Common Stock ("Class A Common Stock") and 50,000,000 shares are Class B Common Stock ("Class B Common Stock") and 40,000,000 shares Preferred Stock, at \$0.00001 par value, (the "Preferred Stock") of which 30,000,000 have been designated Series A Preferred Stock (the "Series A Preferred Stock"). As of April 3, 2019, 0 shares of Class A Common Stock are issued and outstanding, 45,029,860 shares of Class B Common Stock are issued and outstanding and 0 shares of Preferred Stock are issued and outstanding.

Class A Common Stock has the same rights and powers of, ranks equally to, shares ratably with and is identical in all respects, and as to all matters to Class B Common Stock; except that each holder of Class B Common Stock is entitled to 5 votes per share of Class B Common Stock whereas each holder of Class A Common Stock is entitled to only 1 vote per share of Class A Common Stock.

The following is a summary of the rights of ERC's capital stock as provided in its Amended and Restated Certificate of Incorporation, and Bylaws.

**For a complete description of ERC's capital stock, you should refer to its Amended and Restated Certificate of Incorporation and Bylaws, filed as Exhibit B and Exhibit C to this PPM and applicable provisions of the Delaware General Corporation Law.**

### **Class A Common Stock**

#### *Voting Rights.*

Each holder of ERC's Class A Common Stock is entitled to one vote for each share on all matters submitted to a vote of the shareholders. Holders of Class A Common Stock at all times shall vote together with the holders of Class B Common Stock and Class A Preferred Stock as a single class on all matters (including the election of directors) submitted to vote or for the consent of the stockholders of ERC.

### **Class B Common Stock**

#### *Voting Rights.*

Each holder of ERC's Class B Common Stock is entitled to five votes for each share on all matters submitted to a vote of the shareholders. Holders of Class B Common Stock at all times shall vote together with the holders of Class A Common Stock and Class A Preferred Stock as a single class on all matters (including the election of directors) submitted to vote or for the consent of the stockholders of ERC.

### *Conversion Rights.*

Each share of Class B Common Stock is convertible into one share of Class A Common Stock at the option of the holder at any time upon written notice to ERC.

### **All Classes of Common Stock**

#### *Dividends.*

Subject to preferences that may be applicable to any then outstanding class of capital stock having prior rights to dividends (including the company's Class A Preferred Stock), shareholders of ERC's Class A Common Stock and Class B Common Stock are entitled to receive dividends, if any, as may be declared from time to time by the board of directors out of legally-available funds. Any dividends in excess of dividends payable to holders of the Class A Preferred Stock, will be paid ratably among the holders of Class A Common Stock, Class B Common Stock and Class A Preferred Stock on an as-converted basis. ERC has never declared nor paid cash dividends on any of its capital stock and currently does not anticipate paying any cash dividends after this Offering or in the foreseeable future on its Common Stock.

#### *Liquidation Rights.*

In the event of ERC's liquidation, dissolution or winding up, holders of ERC's Class A and Class B Common Stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of ERC's debts and other liabilities and the satisfaction of any liquidation preference granted to holders of Class A Preferred Stock; however if the amount of that the holders of Class A Preferred Stock would have received based on the pro rata percentage of the proceeds calculated based on the number of shares owned by each investor on an "as converted to Common Stock" basis is greater than the then applicable liquidation preference available to Class A Preferred Stock, the holders of Class A Preferred Stock, Class A Common Stock and Class B Common Stock will receive that amount.

#### *Other Rights.*

Holders of ERC's Class A and Class B Common Stock have no preemptive, subscription or other rights, and there are no redemption or sinking fund provisions applicable to ERC's Class A or Class B Common Stock.

### **Series A Preferred Stock**

#### *Voting Rights.*

Each holder of ERC's Preferred Stock is entitled to one vote for each share on all matters submitted to a vote of the shareholders. Holders of Preferred Stock at all times shall vote together with holders of the Common Stock as a single class on all matters (including the election of directors) submitted to vote or for the consent of the stockholders of ERC.

### *Dividends.*

Each share of Preferred Stock is entitled to cumulative dividends which shall accrue, whether or not declared by the Board and whether or not there are funds legally available for the payment of dividends, on a daily basis in arrears at the rate of 8% per annum on the sum of the invested amount sum plus all unpaid accrued and accumulated dividends thereon. The dividends will be paid monthly.

In the event the company declares a dividend distribution to the Common Stock holders, all Preferred Stockholders will receive their pro rata share.

### *Liquidation preference.*

In the event of a liquidation, investors will be entitled to receive the greater of their total investment amount in the shares of Preferred Stock and any accrued and unpaid dividends or their pro rata percentage of the proceeds calculated based on the number of shares owned by each investor on an "as converted to Common Stock" basis.

### *Conversion.*

The Preferred Stock is convertible into the Class A Common Stock of the company as provided by Section 5 of the Certificate of Incorporation. Each share of Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share into that number of fully-paid, nonassessable shares of Class A Common Stock determined by dividing the Conversion Price (defined therein), as adjusted for any accrued and unpaid dividends, by the original purchase price. The Conversion Price is the original purchase price, adjusted from time to time.

Holders of the Preferred Stock, may convert their shares of Preferred Stock into Common Stock in their sole discretion. In the event of a Qualified Public Offering, as defined in the Certificate of Incorporation conversion of the Preferred Stock is mandatory.

### *Anti-Dilution Rights*

Holders of Preferred Stock have the benefit of anti-dilution protective provisions that will be applied to adjust the number of shares of Class A Common Stock issuable upon conversion of the shares of the Preferred Stock. If equity securities are subsequently issued by the company at a price per share less than the conversion price of the Preferred Stock then in effect, the conversion price of the Preferred Stock will be adjusted using a broad-based, weighted-average adjustment formula as set out in the Certificate of Incorporation.

These terms generally provide that if the company issues certain additional shares of Common Stock (as detailed in the Certificate of Incorporation) without consideration or for a consideration per share less than the Conversion Price, in effect on the date of and immediately prior to such issue, then, the Conversion Price will be reduced. The new Conversion Price will be the amount equal to the quotient obtained by dividing the (i) the sum of (A) the number of shares of Common Stock deemed outstanding prior to such issuance (as determined on an as-converted basis) times the Conversion Price then in effect with (B) the consideration, if any,

from that issuances by (ii) the sum of (A) the number of shares of Common Stock deemed outstanding prior to such issuance (a determined on an as-converted basis) plus the number of such additional shares of Common Stock so issued.

#### *Other Rights.*

Holders of ERC Preferred Stock have no preemptive, subscription or other rights, and there is no redemption or sinking fund provisions applicable to its' Preferred Stock.

#### **All Classes of Stock**

##### *Forum Selection Provisions.*

Section VII of our Amended and Restated Certificate of Incorporation contain exclusive forum provisions. With a few exceptions, the Court of Chancery in the State of Delaware will be the sole and exclusive forum for any holder of ERC's Class A and Class B Common Stock (including a beneficial owner) to bring (i) any derivative action or proceeding brought on the company's behalf, (ii) any action asserting a claim of breach of fiduciary duty owed by any director, officer or other employee, (iii) any action asserting a claim against the company, its directors, officers or employees arising pursuant to any provision of the Delaware General Corporation Law or the Corporation's certificate of incorporation or bylaws or (iv) any action asserting a claim against the company, its directors, officers or employees governed by the internal affairs doctrine. These sections shall not apply to actions arising under the federal securities laws.

Section 6 of our subscription agreement (which appears as an exhibit to the PPM) provides that the Court of Chancery in the State of Delaware is the exclusive forum for all actions or proceedings relating to the subscription agreement. However, this exclusive forum provision does not apply to actions arising under the federal securities laws.

##### *Jury Trial Waiver*

The Court of Chancery in the State of Delaware is a non-jury trial court. The parties in any lawsuits where the forum selection provisions are applicable will not be entitled to a jury.

Moreover, holders of Shares of Class A Preferred Stock as well as holders of Class A Common Stock converted from Class A Preferred Stock will be bound by the subscription agreement, which provides that subscribers waive the right to a jury trial of any claim they may have against us arising out of or relating to the subscription agreement, including any claim under federal securities laws. If we opposed a jury trial demand based on the waiver, a court would determine whether the waiver was enforceable given the facts and circumstances of that case in accordance with applicable case law.

#### **Tax Treatment of Dividends**

The 8% dividends will likely be treated as a corporate distribution on equity. Corporate distributions on equity are not deductible to the corporation but are generally taxable to the shareholder, subject to various exceptions and limitations.



The distributions made pursuant to the Preferred Stock dividend provisions will be taxable as dividends to shareholders only to the extent of current and accumulated earnings and profits. To the extent the company does not have current and accumulated earnings and profits, the distributions will be treated as a non-taxable return of capital to the extent of the shareholder's adjusted basis. If distributions still exceed the amount of adjusted basis, such excess would be considered as capital gains income to the shareholder, who will generally be subject to federal (and possibly state) income tax on such gains at a rate that depends upon the shareholder's holding period with respect to the shares in question, among other factors. Since the tax treatment of any distributions may vary according to the financial performance of the company, as well as the particular circumstances of the investor, investors should consult their own tax advisers, and should further not assume that the distributions will be subject to the same tax treatment from year to year.

These amounts will be reported to shareholders on Form 1099-DIV each year as part of their investment reporting package.

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## FEDERAL INCOME TAX CONSEQUENCES

This PPM does not address tax considerations that may be relevant to you. You are urged to consult your own tax advisors as to the specific tax consequences of purchasing, owning and disposing of any Shares, including any federal, state or local tax consideration.

**WE URGE YOU TO CONSULT AND RELY ON YOUR OWN TAX ADVISOR WITH RESPECT TO YOUR OWN TAX SITUATION, POTENTIAL CHANGES IN APPLICABLE LAWS AND REGULATIONS AND THE FEDERAL AND STATE CONSEQUENCES ARISING FROM AN INVESTMENT IN THE SHARES. THE COST OF THE CONSULTATION COULD, DEPENDING ON THE AMOUNT CHARGED TO YOU, DECREASE ANY RETURN ANTICIPATED ON YOUR INVESTMENT. NOTHING IN THIS PPM IS OR SHOULD BE CONSTRUED AS LEGAL OR TAX ADVICE TO ANY SPECIFIC INVESTOR, AS INDIVIDUAL CIRCUMSTANCES MAY VARY. YOU SHOULD BE AWARE THAT THE INTERNAL REVENUE SERVICE MAY NOT AGREE WITH ALL TAX POSITIONS TAKEN BY US AND THAT LEGISLATIVE, ADMINISTRATIVE OR COURT DECISIONS MAY REDUCE OR ELIMINATE ANY ANTICIPATED TAX BENEFITS OF AN INVESTMENT IN THE SHARES.**

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## PLAN OF DISTRIBUTION

The Shares are being offered directly by the company on a “best efforts” basis. The Shares are being offered for sale to a select group of investors who meet the suitability standards set forth under “Investor Suitability Standards.”

The Shares may only be purchased by subscribers who represent and demonstrate to us that they qualify as “accredited investor” as that term is defined in Rule 501 (a) of Regulation D of the Securities Act. The minimum subscription is \$10,000; however, we reserve the right in our sole discretion to accept subscriptions for a lesser number of Shares. All proceeds received by us from subscribers for the Shares offered hereby will immediately available to the company as described in “The Offering” on page 5 once investors have cleared Anti-Money Laundering (AML) checks, Accredited Investor Verification, and have signed the subscription agreement.

All subscriptions must be made by the execution and delivery of a Subscription Agreement as attached hereto as Exhibit A. By executing the Subscription Agreement, each purchaser will represent, among other things, that (a) he or she is acquiring the Shares being purchased by him or her for his or her own account, for investment purposes and not with a view towards resale or distribution and (b) immediately prior to his or her purchase, such purchaser satisfies the eligibility requirements set forth in the PPM. Notwithstanding the foregoing representations, we have the right to revoke the offer made herein and to refuse to sell Shares to a particular subscriber for any reason. Inasmuch as this Offering is being made pursuant to the provisions of Rule 506(c), prospective investors will be required to provide sufficient information to enable us to verify that each investor is an accredited investor.

As set out in the Subscription Agreement, a purchaser must be prepared to bear the economic risk of an investment in the Shares for an indefinite period of time. An investor in the Shares, pursuant to the Subscription Agreement and applicable law, will not be permitted to transfer or dispose of the Shares, unless they are registered for resale or such transaction is exempt from registration under the Securities Act and other applicable securities laws, and in the case of a purportedly exempt sale, such investor provides (at his or her own expense) an opinion of counsel satisfactory to us that such exemption is, in fact, available. Any certificates or other documentation evidencing the securities offered and sold hereby will bear a legend relating to such restrictions on transfer.

### **Procedure for Subscribing**

If you decide to subscribe for the Shares in this Offering, you should complete the following steps:

#### **If subscribing via ERC Homebuilders, Inc.:**

1. Go to [www.manhattanstreetcapital.com/ERC-r](http://www.manhattanstreetcapital.com/ERC-r) the offering page on the Manhattan Street Capital website and click on the "Invest Now" button;
2. Complete the online investment form;
3. Deliver funds directly by check, wire, debit card, or electronic funds transfer via ACH to the specified account;

4. Once funds are received an automated AML check and accredited investor verification will be performed to verify the identity and status of the investor;
5. Once verified, investor will electronically receive, review, execute and deliver to us a Subscription Agreement.

Any potential investor will have ample time to review the Subscription Agreement, along with their counsel, prior to making any final investment decision.

### **Right to Reject Subscriptions**

After we receive your complete, executed Subscription Agreement and the funds required under the Subscription Agreement have been received we have the right to review and accept or reject your subscription in whole or in part, for any reason or for no reason. We will return all monies from rejected subscriptions immediately to you, without interest or deduction.

### **Suitability Requirements**

Shares are being offered hereby only to persons who meet certain suitability requirements set forth herein. The fact that a prospective investor meets the suitability requirements established by us for this Offering does not necessarily mean that an investment in us is a suitable investment for that investor. Each prospective investor should consult with his own professional advisers before investing in us.

***Investors are not to construe this PPM as constituting legal or tax advice. Before making any decision to invest in us, investors should read all of this PPM, including all of its exhibits, and consult with their own investment, legal, tax and other professional advisors.***

***An investor should be aware that we will assert that the investor consented to the risks described or inherent in this PPM if the investor brings a claim against us or any of our directors, officers, managers, employees, advisors, agents, or representatives.***

### **The Online Platform**

Pursuant to the Reg D Consulting Agreement between ERC and FundAthena, Inc., d/b/a Manhattan Street Capital (“Manhattan Street Capital” or “MSC” as applicable) dated February 28, 2019 (the “Consulting Agreement”):

- ERC is paying MSC an advisory retainer fee of \$10,000 paid monthly in advance from the effective date through the completion of the financing (a minimum of 9 months engagement)\* and a cashless 10 year warrant for 360,000 shares of ERC common stock with an exercise price of \$0.25 per share (for the first nine months)\*\* and will provide MSC a cashless 10 year warrant for 10,000 shares of ERC common stock with an exercise price of \$0.25 per share for each additional month.
- ERC will pay MSC a technology and administration fee of \$250 per investor, in cash, when each investor deposits funds into the escrow account, and a cashless 10 year warrant to purchase 1000 shares of ERC common stock for \$0.25 per share per investor.

The MSC technology admin, verification and service fee includes fees for back-end services, which may be paid to third-party service providers on behalf of the Client, including: AML check, and accredited investor verification.

- ERC will pay MSC a listing fee of \$10,000 per month while the offering is “live” for investment, and each month will provide a 10 year warrant for 40,000 shares of ERC common stock with an exercise price of \$0.25 per share.

\*As of April 22, 2019, ERC has paid to MSC \$20,000

\*\*As of April 22, 2019 ERC has not yet delivered the warrants to MSC

All fees are due to MSC regardless of whether investors are rejected after AML checks, accredited investor verification, or the success of the Offering.

Manhattan Street Capital does not directly solicit or communicate with investors with respect to offerings posted on its site, although it does advertise the existence of its platform, which may include identifying issuers listed on the platform. The PPM will be furnished to prospective investors in this offering via download 24 hours a day, 7 days a week on the [www.manhattanstreetcapital.com](http://www.manhattanstreetcapital.com) website.

#### **Transfer Agent and Registrar**

We intend to engage Computershare as the transfer agent and registrar for our common stock.

#### **Escrow Agent**

We intend to engage PrimeTrust, LLC as the escrow agent.

## RESTRICTIONS ON TRANSFERABILITY

The Shares offered hereby are “restricted securities” as that term is defined in Rule 144 promulgated under the Securities Act. These securities have not been registered under the Securities Act and are being offered and will be sold without benefit of registration under the applicable federal or state securities acts by reason of specific exemptions from registration provided by such acts. The availability of such exemptions is also dependent, in part, upon the “investment intent” of the investors. The exemptions would not be available if an investor were purchasing the Shares with a view to redistributing them. Accordingly, each investor when executing the Subscription Agreement will be required to acknowledge that his or her purchase is for investment, for its, his or her own account, and without any view to resale of the Shares except pursuant to an effective registration statement under the Securities Act, or a valid exemption from the registration requirements of the Securities Act, and subject to the terms of the Subscription Agreement.

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## INVESTOR SUITABILITY STANDARDS

### ***General***

An investment in our Shares involves a high degree of risk and is suitable only for persons of substantial financial means who have no need for liquidity in their investment. Our Shares are only suitable for those who desire a relatively long-term investment for which they do not need liquidity until the anticipated return on investment as set forth in this PPM.

The offer, offer for sale, and sale of our Shares is intended to be exempt from the registration requirements of the Securities Act pursuant to Rule 506(c) of Regulation D promulgated thereunder and is intended to be exempt from the registration requirements of applicable state securities laws as a federally covered security. This Offering is directed to “accredited investors,” as that term is defined in Rule 501(a) of Regulation D as promulgated by the SEC.

A subscriber must meet one (or more) of the investor suitability standards below to purchase Shares. Fiduciaries must also meet one of these conditions. If the investment is a gift to a minor, the custodian or the donor must meet these conditions. For purposes of the net worth calculations below, net worth is the amount by which assets exceed liabilities, but excluding your house, home furnishings or automobile(s) among your assets. In the subscription agreement, a subscriber will have to confirm satisfaction of these minimum standards:

- Each investor must have the ability to bear the economic risks of investing in the Shares.
- Each investor must have sufficient knowledge and experience in financial, business or investment matters to evaluate the merits and risks of the investment.
- Each investor must represent and warrant that the Shares to be purchased are being acquired for investment and not with a view to distribution.
- Each investor will make other representations to us in connection with purchase of the Shares, including representations concerning the investor’s degree of sophistication, access to information concerning the company, and ability to bear the economic risk of the investment.

### ***Suitability Requirements***

Rule 501(a) of Regulation D defines an “accredited investor” as any person who comes within any of the following categories, or whom the issuer reasonably believes comes within any of the following categories, at the time of the sale of the securities to that person:

(1) Any bank as defined in section 3(a)(2) of the Securities Act, or any savings and loan association or other institution as defined in section 3(a)(5)(A) of the Securities Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to section 15 of the Exchange Act; any insurance company as defined in section 2(a)(13) of the Securities Act; any investment company registered under the Investment Company Act of 1940 or a business development company as defined in section 2(a)(48) of that Act; any Small Business Investment Company licensed by the U.S. Small Business Administration under section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political

subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000; any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;

(2) Any private business development company as defined in section 202(a)(22) of the Investment Advisers Act of 1940;

(3) Any organization described in section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000;

(4) Any director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer;

(5) Any natural person whose individual net worth, or joint net worth with that person's spouse, exceeds \$1,000,000;

(6) Any natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

(7) Any trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in § 230.506(b) (2)(ii); and

(8) Any entity in which all of the equity owners are accredited investors.

For purposes of calculating net worth:

(A) The person's primary residence shall not be included as an asset;

(B) Indebtedness that is secured by the person's primary residence, up to the estimated fair market value of the primary residence at the time of the sale of securities, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of sale of securities exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability); and

(C) Indebtedness that is secured by the person's primary residence in excess of the estimated fair market value of the primary residence at the time of the sale of securities shall be included as a liability.



In determining income, a subscriber should add to the subscriber's adjusted gross income any amounts attributable to tax exempt income received, losses claimed as a limited partner in any limited partnership, deduction claimed for depletion, contribution to an IRA or Keogh plan, alimony payments, and any amount by which income for long-term capital gains has been reduced in arriving at adjusted gross income.

In addition to the foregoing suitability standards, we cannot accept subscriptions from anyone if the representations required are either not provided or are provided but are inconsistent with our determination that the investment is suitable for the subscriber. In addition to the financial information we require, the representations we require of you state that you:

- Have received this PPM, together with the Exhibits attached hereto;
- Understand that no federal or state agency has made any finding or determination as to the fairness for investment in, nor made any recommendation or endorsement of, the Shares; and
- Understand that an investment in the company will not, in itself, create a qualified retirement plan as described in the Internal Revenue Code and that you must comply with all applicable provisions of the Internal Revenue Code in order to create a qualified retirement plan.

You will also represent that you are familiar with the risk factors we describe, and that this investment matches your investment objectives. Specifically, you will represent to us that you:

- Understand that there will be no public market for the Shares, that there are substantial restrictions on repurchase, sale, assignment or transfer of the Shares and that it may not be possible to readily liquidate an investment in the Shares; and
- Have investment objectives that correspond to those described elsewhere in this PPM.

You will also represent to us that you have the capacity to invest in our Shares by confirming that:

- You are legally able to enter into a contractual relationship with us, and, if you are an individual, have attained the age of majority in the state in which you live; and
- If you are a manager, that you are the manager for the trust on behalf of which you are purchasing the Shares, and have due authority to purchase Shares on behalf of the trust.

If you are purchasing as a fiduciary, you will also represent that the above representations and warranties are accurate for the person(s) for whom you are purchasing Shares. By executing the subscription agreement, you will not be waiving any rights under the Securities Act or the Exchange Act.

We have the right to refuse a subscription for Shares if in our sole discretion if we believe that the prospective investor does not meet the suitability requirements. It is anticipated that comparable suitability standards (including state law standards applicable in particular circumstances) may be imposed by us in various jurisdictions in connection with any resale of the Shares.

**Exhibit A: Subscription Agreement**

[https://www.manhattanstreetcapital.com/sites/default/files/Exhibit%20A%20 %20ERC%20Reg%20D%20Sub%20Agreement%20FINAL%204.23.19.pdf](https://www.manhattanstreetcapital.com/sites/default/files/Exhibit%20A%20%20ERC%20Reg%20D%20Sub%20Agreement%20FINAL%204.23.19.pdf)

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**Exhibit B: Amended and Restated Certificate of Incorporation**

[https://www.manhattanstreetcapital.com/sites/default/files/Exhibit%20B\\_ERC%20Homebuilders%20Inc%20A%20and%20R%20CoI%20with%20Pref%20Stock%20Designation.pdf](https://www.manhattanstreetcapital.com/sites/default/files/Exhibit%20B_ERC%20Homebuilders%20Inc%20A%20and%20R%20CoI%20with%20Pref%20Stock%20Designation.pdf)

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**Exhibit C: Bylaws**

<https://www.manhattanstreetcapital.com/sites/default/files/Exhibit%20eRC%20Home%20Builders%20Inc.%20-%20Bylaws%20-%20FINAL.pdf>

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**Exhibit D: Management Services Agreement Template**

[https://www.manhattanstreetcapital.com/sites/default/files/Exhibit%20D\\_Management\\_Services\\_Agreement-ERC\\_%20Template.pdf](https://www.manhattanstreetcapital.com/sites/default/files/Exhibit%20D_Management_Services_Agreement-ERC_%20Template.pdf)

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**Exhibit E: Regulation D Consulting Agreement**

[https://www.manhattanstreetcapital.com/sites/default/files/Exhibit%20E ERC%20Reg%20D%20Signed%20by%20both%20Mar%202015%202019%20.pdf](https://www.manhattanstreetcapital.com/sites/default/files/Exhibit%20E%20ERC%20Reg%20D%20Signed%20by%20both%20Mar%202015%202019%20.pdf)

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**Exhibit F: Regulation A Consulting Agreement**

[https://www.manhattanstreetcapital.com/sites/default/files/Exhibit%20F\\_ERC%20MSC%20Reg%20A%20B%20Engagement%20agreement%20amended%20signed%20both%203-22-19.pdf](https://www.manhattanstreetcapital.com/sites/default/files/Exhibit%20F_ERC%20MSC%20Reg%20A%20B%20Engagement%20agreement%20amended%20signed%20both%203-22-19.pdf)

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