



## Frequently Asked Questions

as at October 2011

### How can the company pay investors up to 13% p.a. and still make a profit ?

They earn an average 5% – 8% yield-spread, which is the difference they accrue on liens and the fixed rate paid to investors. Additionally, the company earns a share of the windfall foreclosures profits. The company bids on tax liens with the following rates, mandated by the State:

State	Mandatory Interest	Redemption Period	Lien / Deed
ARIZONA	16%	3 years	Lien
CALIFORNIA	18%	2 years	Deed
CONNECTICUT	18%	2 years	Lien & Deed
DELAWARE	15% penalty	1 year	Lien
FLORIDA	18%	2 years	Lien & Deed
GEORGIA	20% penalty	1 year	Deed with redemption period
ILLINOIS	36% p.a. penalty (18% for 6 months)	2 years	Lien
INDIANA	10% 15% - 25% penalty after 6 months	1 year	Lien
IOWA	24% may become co-owner in case of foreclosure	1.75 years	Lien
LOUISIANA	12% + 5% penalty	3 years	Lien & Deed
MARYLAND	10% to 24%	0.5 - 2 years	Lien
MASSACHUSETTS	16%	6 months	Lien
MISSISSIPPI	17%	2 years	Lien
MISSOURI	10% + 8% penalty	2 years	Lien
NEBRASKA	14%	3 years	Lien & Deed
NEW HAMPSHIRE	18%	2 years by municipality	Lien & Deed
NEW JERSEY	18%+	2 years	Lien
NEW YORK	14%	1 year, in lien counties	Lien & Deed
OHIO	18%	1 year - if county pop. 200,00+	Lien
RHODE ISLAND	16%	1 year by municipality	Lien
TEXAS	25%	2 years	Lien
WASHINGTON DC	12%	6 months	Lien
WISCONSIN	18%	2 years, by county	Lien & Deed
WYOMING	18%	4 years	Lien

### What are the possible problems of tax lien investing ?

- ✦ **Tax liens are illiquid:** They must be held until fully repaid or the lien holder forecloses at the end of the redemption period. While tax liens can be transferred to another party, they cannot be encashed. However a secondary market is currently being established by a brokerage in New York.
- ✦ **Property problems:** If the investor acquires the deed to the property, they also acquire any problems associated with the property such as interim damage, environmental or survey problems which could make the property useless.
- ✦ **Erroneous liens:** If the property owner proves that the tax collector was at error to place the tax lien, the lien holder would regain the principal but earns no interest.
- ✦ **IRS claims:** Debts to the Internal Revenue Service have priority over all liens, and they could foreclose on the property during the redemption period. The lien holder would then be repaid principal + 6% p.a.
- ✦ **Quitclaim deeds:** are not forms of marketable title or insurable title. The investor will incur additional expenses to obtain these higher levels of title in order to eventually sell it in case of foreclosure.
- ✦ **Bankruptcy:** If the property owner declares bankruptcy, the judge may reduce the penalty and /or interest amount owed to the lien holder or could even discharge the lien leaving the investor with nothing.

## Due diligence research on the FutureGen Capital

### What happens to the investment if the company goes bankrupt ?

With an equity investment; if the company goes bankrupt, you lose your investment. Also, the value of the investment can decrease in value. With a debt investment, you're making a loan to FutureGen Capital, and the company is under a *Debt Investment Agreement* contract requiring them to repay the full face value of the contract plus all interest owed. In addition, the company pledges their asset towards these investments. So if the company defaults, you'll have legal right to claim these assets to regain your investment capital.

### What happens if the IRS places a lien against a property where a tax lien has been placed ?

When property is sold at public auction and the IRS subsequently places a lien on the property, the United States has priority right of redemption for 120 days from the date of the sale. The IRS will pay the actual amount paid by the bidder, plus interest at 6% per annum from the date of sale, plus the expenses of the sale that exceed any income received from the property.

### How financially stable is the company ?

## About the investment process

### Why should investors partake in tax liens through FutureGen Capital instead of on their own ?

**Effort:** - Tax lien auctions are open to the public, but it can be extremely time-consuming to learn the business, research properties, and attend the auctions. We undertake all the legwork for you, whilst offering a substantial rate of return and also allowing you to benefit from potential windfall profits.

**Reduced risk** - As with any collective investment, the risk is diluted because FutureGen Capital will hold many liens. If an individual holds a few liens, there is risk that if something goes wrong with the lien, i.e. damage to house during redemption period, survey or environmental issues, the individual could lose everything.

### How is interest and outstanding lien debt collected from property owner ?

After the tax sale, the tax lien purchasers are presented with tax lien certificates by the county clerk. These certificates contain information like penalty rate, face amount, current property owner, and property address. All redemptions by delinquent tax payers must be made to the county clerk. Once the county clerk receives the necessary amount to redeem, they will (i) Cancel the certificate lifting the tax lien against the property (ii) Forward all the proceeds from the lien to the lien holder (investor). If the full debt remains unpaid then the County clerk will authorize the lien holder to proceed with foreclosure. What this means is the investor either receives full payment with interest or receives no payment but can foreclose on property. The lien holder will not receive any partial repayments.

### Why are these high return investments not main-stream ?

The tax lien market is minuscule compared to other investment categories. Annual sales are around USD 2 billion, dominated by several closed-end investment companies. Collective investments schemes for this asset class are only just starting. This is a niche but growing profitable investment .

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