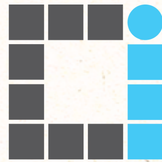

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In Real Estate We Trust

Exhibit A -

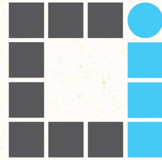
China's House of Cards Collapses:
Real Estate Downturn Triggers Economic Tremors

BEIJING, CHINA - March 20, 2022 -

The once-booming Chinese real estate market, a pillar of the nation's economic growth for decades, is crumbling, sending shockwaves through the financial system and raising fears of a broader economic slowdown. The crisis, triggered by a liquidity crunch at property giants, has now engulfed major players, exposing the industry's underlying vulnerabilities.

For years, China's real estate market defied gravity, fueled by easy credit and a growing middle class desperate for a piece of the property dream. Developers like Evergrande, with its massive debts exceeding $300 billion, aggressively built ever more extravagant projects, often presales acting as a primary source of funding. This unsustainable model, coupled with the government's tightening grip on the sector to curb excessive leverage, led to a dramatic slowdown in sales and a wave of defaults.
The domino effect was swift and brutal. As developers like Evergrande, Fantasia, and Zhongzhi faltered, unable to meet repayment deadlines, panicked homebuyers stopped payments on unfinished projects. This further choked off cash flow for developers crippled their ability to complete construction and repay lenders. Financial contagion spread like wildfire, impacting banks heavily exposed to the real estate sector and investors who poured money into wealth management products linked to property development.

The economic fallout is far-reaching. Construction, a major driver of GDP growth, has taken a significant hit. Steel, cement, and other related industries are experiencing a downturn. Unemployment in the construction sector is rising, and consumer confidence is plummeting. The crisis has also cast a shadow over China's ambitious infrastructure projects, heavily reliant on real estate sales to generate revenue.



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The Chinese government is scrambling to contain the damage. Measures include easing credit restrictions for qualified developers to ensure completion of ongoing projects and stimulating demand through targeted tax cuts. However, analysts warn that restoring confidence will be an uphill battle. The psychological impact of the crisis could lead to a prolonged period of hesitancy among homebuyers, further hindering market recovery.

The future of China's real estate market remains uncertain. The once-unthinkable scenario of a property price decline is a growing concern. While a complete market collapse is unlikely, a prolonged period of stagnation could have significant consequences for China's economic growth trajectory. The crisis serves as a stark reminder of the dangers of excessive leverage and unchecked speculation in any market, and the importance of building a more sustainable and balanced economic model.

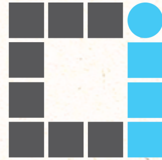

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Exhibit B -

REIT Fund Debrief (Extract)

Romano Wealth Management's REIT specializes in investing in various types of properties across China, including residential, commercial, and industrial real estate. The fund is managed by a team of experienced professionals who closely monitor market trends and property performance to make informed investment decisions.

Portfolio	Invested Amount In 100k USD.
Evergrande	720.56
Country Garden	420.67
Kaisa Group	439.87
Fantasia Holdings	118.67
Sunac	216.45
Sinic Holdings	335.78
Modern Land	323.98
Vanke	555.94
GreenLand Holdings	209.83
TOTAL	3341.75

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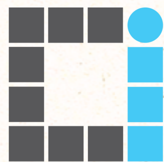

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In 2022, the average fund in the Real Estate Morningstar Category is losing 26%, and the MSCI US REIT Index similarly is losing 25%. In this grim environment, private real estate fund Romano Real Estate Investment Trust Inc., or REIT, has attracted negative attention. In a period when the real estate category lost 27%, RREIT with an AUM of 426 million USD and invested capital of 334 million USD, is facing some backlash to.The RREIT restricted the amount that shareholders could withdraw from the fund, rattling investors. RREIT is itself an equity REIT, albeit not publicly traded. It also pays out most of its income as monthly distributions. RREIT sells and repurchases shares monthly only, and its prospectus cautions that the vehicle is intended for people ``who do not need near-term liquidity." This restriction allows RREIT to hold less-liquid investments, which tend to be riskier but potentially more lucrative.

RREIT shareholders usually can cash out only when the fund repurchases its own shares, but it limits those repurchases to 2% of the fund's net asset value each month. In December 2021, RREIT announced that because it had repurchased shares representing 4.7% of NAV in October and November, only 0.3% of the fund's assets would be available to shareholders in December. Beyond that, investors would have to wait another month to get their money.

REITs are not registered with the SEC because they are intended for more-sophisticated investors, who (in theory) better understand the fund's risks and are less vulnerable to losses. Investors in RREIT need to have either a net worth of at least $250,000 (excluding their home, home furnishings, and automobiles), or a gross annual income of at least $70,000 and a net worth of at least $70,000. That's not as strict as most hedge funds' criteria, which often require a net worth of $1 million or annual income of at least $200,000, but the rules still substantially limit the number of people who can invest.

Most private REITs cost much more than mutual funds. RREITs shares, with a minimum investment of $2,500, cost 2.1% per year (a 1.25% management fee plus a 0.85% stockholder servicing fee), in addition to a front load of up to 3.5%.

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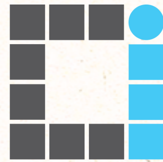

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On top of those fees, REIT shareholders must pay 12.5% of any gains beyond 5%, similar to most hedge fund performance fees. The high price tag may seem worth it when the fund performs as well as it did in 2019, but it's a lot less attractive in the inevitable down times. The fund also has a claw back clause in place.

In order to qualify as a REIT under US Income Tax rules, we must satisfy a number of requirements regarding the composition of our assets and the sources of our gross income. Also, we must make distributions to our stockholders aggregating annually at least 90% of our REIT net taxable income, excluding net capital gains.

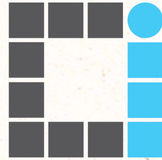

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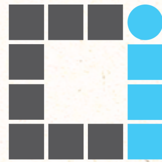
EXHIBIT C -

Date: 9th June 2022
From: Francesco Romano II
To: Lucia Lorenzo

Greetings,

I am writing to you with a matter of urgent importance. Our Romano Real Estate Investment Trust (RREIT), which strategically allocated substantial funds into the Chinese real estate and property market, now faces a stark reality. The downturn in this market segment has been profound, resulting in a regrettable depreciation of approximately 27% of our invested capital under the prevailing market conditions. Despite our best efforts, the trajectory of this decline appears unyielding, necessitating immediate action to extricate ourselves from these dwindling investments.

Given the gravity of the situation, it is imperative that we craft a meticulously detailed exit strategy that aligns with the clauses stipulated in our investment agreement. Our esteemed High Net Worth Individuals (HNIs), integral to our investor base, are understandably gripped by apprehension amidst these developments. Hence, it is our obligation to assuage their concerns and instill confidence by meticulously adhering to the contractual obligations outlined in our agreement. For the fulfillment of this objective, a thorough assessment of our investment portfolio is warranted. Each asset must undergo rigorous evaluation to ascertain its current valuation and potential avenues for divestment keeping in mind the clauses which are stated in the investment agreement.



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Furthermore, the status of our RREIT has been maligned, and it is impertinent for us to take action. Owing to an unanticipated violation of the REIT qualifications, on account of a 20% of our total investments being in Work-In-Progress projects as opposed to the projected 8% at the end of the year. This violation of the required criteria for qualification (not more than 10% of total investments to be in work-in-progress assets), have led us to lose our REIT qualification in 2021. We will now be subject to U.S. federal income tax on our net taxable income at corporate rates. In addition, we will be disqualified from treatment as a REIT for the four taxable years following the year in we lost our REIT qualification. Losing this will reduce our net earnings available for investment or distribution to stockholders because of the additional tax liability, and we will no longer be required to make distributions. Strategic planning to prepare us for this tax conundrum including adequate future tax planning is critical for our operations.

In light of this setback in China, it has become imperative to strategically capitalize on alternative avenues for investment. The pronounced boom witnessed in the Indian real estate sector presents a compelling opportunity to mitigate the adverse effects of recent failures and recalibrate investment portfolios for sustainable growth and resilience. I believe diversification will help us regain our former glory as Romano Wealth Management, and will play an instrumental role in mitigating the fallouts of the issue we are grappling with at the moment. Coming up with a diversified and apt REIT structure will be imperative. Since we have investments in foreign real property, we are subject to foreign currency gains and losses and these fluctuations need to be mitigated to ensure steady cash flow from these investing activities.

I am relying upon your expertise to navigate these current complexities and I trust that you will lead us to prosperity. Do not let me down.

Regards,
Francesco Romano II