

i3 Private Asset  
Management &  
Family Office  
Services  
Portfolio 2019



# CONTENTS



3	<b>i3</b> - Our Core Philosophy
4	Services
4	Managed Private Asset Types
5	A History of Family and Business
5	Family Financial Dynamics and Transitions
6	<b>i3</b> Insight
7	Asset Performance
8	Proprietary Reporting
9	Process
10	Family Behavioral Dynamics
11	Your Asset Management Team
12	<b>i3</b> Leadership
13	Contact
14	About <b>i3</b>



# “Wealth is a *Gift*, Not an Entitlement.”

Kevin Heaton, Founder, i3

At the core of our philosophy and based on more than twenty years of experience, **i3** believes that those families that approach wealth as a *gift* from one generation to the next are better positioned for the continued growth of wealth and achievement of investment goals than those that view generational wealth as an entitlement.



## Building Collateral Wealth

Families that breed a culture of entitlement are unlikely to implement the core foundational tools of wealth education and management. Not only may the growth of wealth stagnate, but in times of crisis, wealth may liquidate completely.

Families that value the generational gift of wealth define core values and document these in a Family Constitution. This Constitution defines the generational asset management strategy and articulates the investment policy of the family. The **i3** mission is to work in concert with the family to create the framework for this Constitution and provide the training platform to support the management of future wealth within it.

For **i3**, and for our families, the education of subsequent generations to maturely and responsibly continue to implement and manage sound investment policies is the cornerstone. **i3** is the family wealth program for generational wealth education. We provide a framework for maximizing cash flow from existing assets with a strategic blueprint for how to manage the assets into the future.

### The **i3** team will support the creation of:

- A Family Constitution outlining core values
- An Investment Policy
- A Training Platform for family members to be involved with managing assets
- A Global Family Balance Sheet and Cash Flow Statement
- A Strategy for maximizing cash flow from existing assets
- A Strategic Blueprint for future asset management

# OUR CORE SERVICES

## INFORMATION

- Market intelligence & information
- Asset specific research
- Access to subject matter experts

## INFRASTRUCTURE

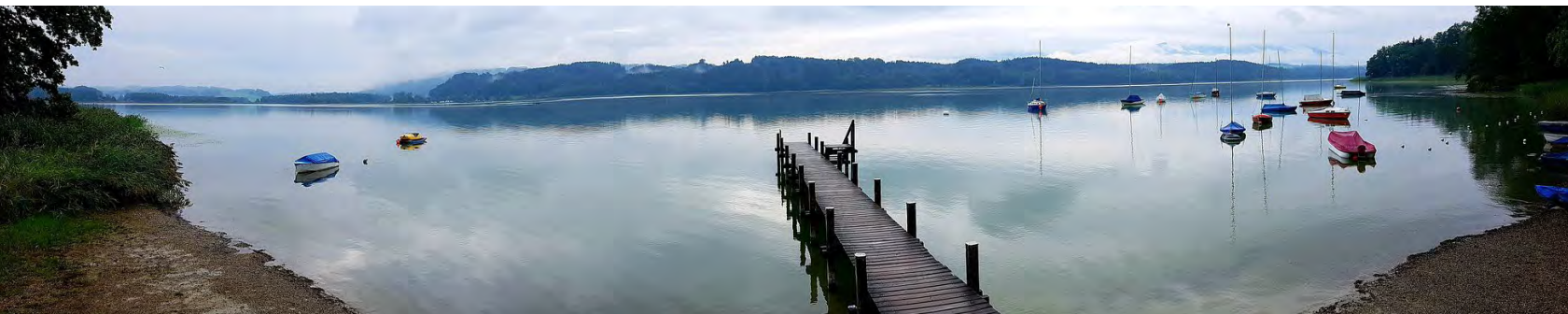
- Managing third-party vendors & property managers
- Relationships with third-party vendors

## INVESTMENT

- Performance tracking
- Performance vs. benchmarks
- Risk Mitigation/Insurance
- Capital Stack
- Deal flow



## Managed Private Asset Types



### Commercial Real Estate

Includes income-producing assets and real estate to be developed across asset classes such as individual or portfolios of retail shopping centers, grocery anchored centers, industrial, medical, and warehouse/office.

### Timberland

Timberland may include forests owned by private entities and refer to ownership by individuals, funds, endowments or other institutions supported by **i3** services.

### Land

**i3** handles complex and time-consuming responsibilities associated with land asset management including land use and entitlement issues, leasing and licensing, construction and (re) development.

### Operating Company

Operating companies include companies that manufacture a product or provide a service. We oversee financial performance, advise on the capital stack and, when the opportunity presents itself, contribute to the management team of the company and construction of the board.

### Hospitality

Our reach into hospitality includes the oversight of hotels and restaurants. **i3** works with successful management companies to build strong operating teams with consistently strong results.

### Multi-family

**i3** has been involved with the underwriting, development, acquisition and disposition of multi-family housing across product types: student housing, assisted living and residential housing.



## A HISTORY OF FAMILY & BUSINESS

Families that take the critical step of developing separate plans for their business and their family wealth management, and within those plans, create constitutional covenants, will find that although conflict may occur, they are better prepared to respond without creating disruption. More important, the assets of the family and their ability to grow will continue undisturbed. Key questions we address together:

- Who runs the business in the future?
- Who manages the other assets owned by the family?
- What happens if one of the siblings is poorly suited for their job?
- What happens to the children of siblings?
- Are the assets plentiful enough to support so many people?
- How will family members be held accountable?
- How will family members be compensated?



## Family Financial Dynamics & Transitions

*“There is nothing permanent except change.” Heraclitus*

Change would be easy if everything stayed the same during a transition, but that goes against the very nature of change. For most families, the biggest risks they face are in the management of change, especially as it relates to succession and intergenerational wealth transfer. In today’s environment, regulations are increasingly complex; we exist in a more sophisticated, litigious society and there are risks associated with an unstable global economy. The practicalities of the transition of assets frequently impact both the decision-making process and the decisions themselves. Situations that require a third-party asset manager may include:

- Family offices
- Unexpected Inheritance
- Youth inheritance
- Aging owners without beneficiaries
- Trusts with beneficiaries not involved with the business
- New wealth
- Families requiring a third-party fiduciary
- Trust departments
- Family (members) inheriting a portfolio of assets
- Investor(s) partnerships
- Foreign investors
- Family boards



# i3 Insight

Data in and of itself is not nearly as important as the analytics that accompany it. When **i3** analyzes market intelligence, we access leading industry databases, family planning and proprietary management software and use business analytics to gain the insight required for recommending ideal asset management decisions and strategic initiatives on behalf of our clients. **i3** accesses real-time market intelligence and information; we conduct asset-specific research and interpret the data through internal and external subject matter experts.

Next, we support data-driven decisions through the effective management of third-party vendors such as property managers, and then nurture and maintain relationships with these vendors.

Lastly, data is knowledge. Whether investment program management, performance tracking, performance versus benchmarking, risk mitigation and insurance, or capital stack — the total capital invested in a project — we support origination, underwriting, due diligence, and investment approval for the family or individual members.

Families may invest directly into real estate assets with our team providing the due diligence, acquisition, and management services historically offered only to institutions.



## A HISTORY OF INSIGHT

Research data is essential in understanding how to better manage internal performance metrics toward achieving strategic goals and to benchmark against best-of-class, like industries.

**i3** is built on a clear methodology based upon personal, high-wealth family-dynamic experience. We focus on access to **information**, an **infrastructure** to support and manage complex needs, and **investment** options for capital placement.

**i3** is the Family CFO — an objective, experienced voice in crisis and calm. A trusted team of experts who consider the complex dynamics of family change in all situations and transactions.

## CASE STUDY: A HISTORY OF PERFORMANCE - from \$500k to \$5M

**i3** was requested to review an under-performing private asset portfolio containing land and commercial real estate, with assets owned by three familial generations.

**i3** performed a land best-use analysis, compiled recommendations in an Asset Summary Report, and once approved, oversaw construction and development of recommended projects. **i3** next conducted a Family Needs Assessment and created a Family Balance Sheet to communicate a unified vision while maximizing asset performance.

As a result of the **i3** approach and implementation, rents and returns grew from \$500,000 to more than \$5 million.

\*The confidentiality of our clients is of the utmost importance. All Case Studies are reviewed and approved by the subject client.



## Asset Performance

**i3's** Investment Philosophy was developed to assist investors with their private asset and commercial real estate (CRE) investment needs and centers around a proprietary set of tools that demonstrate the investment capabilities of **i3**.

Executed properly, investments in the CRE marketplace can generate cash flow, hedge against inflation, offer security against a down market, and generate significant upside. With historically low market volatility and numerous avenues for capital deployment, investing into a CRE asset can provide a catered blend of risk and return.

Our efforts are focused on identifying and acquiring assets that meet both the investor's current and long-term needs, establish a healthy balance for their risk/reward appetite, and meet the goals of an investment time-line, should one exist.

At the height of its performance, our core methodology revolves around two critical concepts: achieving a risk/reward balance commensurate with the investor's requirements, and simultaneously satisfying the investor's immediate and future needs.



# Proprietary Reporting

Our proprietary software, RAAMP, offers property and asset management capabilities through a cloud-based database and information management platform.

RAAMP is designed to serve as a central information hub that allows families, advisors, and our team to manage multiple levels of information within a secure, electronic environment and to generate monthly and quarterly reports instantaneously.

Reports include Global Family Balance Sheet, Global Family Cash Flow, Asset Performance reporting and Profit and Loss. Additional reports may include Budgets, Forecasting, and Market Adjustments.



## ----- A HISTORY OF REPORTING - When we couldn't find the perfect solution, we built our own. -----

As a family grows and assets increase, it becomes more difficult to accurately track cash flows and investments. Spreadsheets and manual processes are costly and insufficient to accommodate complex relationships or linked transactions.

**i3** is able to quickly and accurately manage and report on disparate investments across family entities, partnerships, trusts and multi-level partnerships and will consolidate information into timely, client-specific reports, tailoring investment details to each family's specific need.

Our proprietary software RAAMP, Real Estate Accounting and Asset Management Platform, delivers a host of standard and customizable reports including industry-standard Accounting: Profit & Loss, Budgeted Profit & Loss, Balance Sheet, AR Aging, Unpaid Bills, Property Rent Roll, Tenant Ledgers, Tenant Contact Report, Tenant Bill-back Report, Banking Reconciliation Report, Check Register and Vendor Ledger.



## PROCESS CASE STUDY: COACHING FAMILY TRANSITIONAL WEALTH

The process of working within a dual, complex family dynamic — one including a legacy family business and assets requiring distribution — can create multiple additional challenges if handled poorly.

**i3** played a key role as the Family CFO and Mediator for a family group\* with a variety of needs: one member desired an exit strategy; another hoped to create new wealth from an underutilized asset. Others had no interest in participating in wealth growth through the family business, but requested equal disbursement of wealth. There was a history of a litigious relationship between multiple members.

Following in-depth interviews and needs assessment, **i3** created a solution equitable to and accepted by all participants.

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## Process

The **i3** formal process begins with a series of face-to-face meetings. We construct a Family Profile which includes a Family Constitution, a Family Investment Philosophy and an Investment Policy.

A **Global Balance Sheet** and **Global Cash Flow Summary** are created for review. The documents provide a comprehensive financial inventory and ten-year forecast for projected income generation for family members or related beneficiaries.

After establishing the family's asset base and Global Cash Flow, we establish the family's needs through a **Family Needs Assessment**. The family's financial needs are then overlaid on the family's Global Cash Flow Summary.

Last, an **Asset Performance Management Summary** is prepared and includes a detailed assessment and historical performance review of private assets owned by the family and recommendations for new strategies. This report provides a schedule of private assets and identifies where opportunity may exist to generate income for the family.

After documenting the family's profile, gathering details on the family's assets, constructing the family's global cash flow and inputting the family's needs, we integrate Resources and Reporting using **i3's** access to **information, infrastructure and investment**.

# Family Behavioral Dynamics

**i3** understands the practicalities of Family Financial Dynamics. Our process is clear and our results quantifiable.

We also recognize however, the more complex dynamics at play when multiple generations of a family are involved with the growth, management and disbursement of wealth. Our expertise in the mediation of complex challenges facing high-wealth families comes from our Founder's first-hand experience and deep private asset management insight and expertise.



## The Key Lessons of Family Assets & Business

- Predestined positions may not work out in the idealized manner envisioned.
- Identifying family employee “fit” can be elusive in any business.
- Being a family business compounds the complexity of the fit and overall job description.
- Perceived nepotism or favoritism can fracture already weakened relationships.
- Unrealistic performance expectations may be placed upon family members.
- There may be an inability for family members who choose to exit to do so easily.
- One specific family member may feel they bear the entire responsibility for the business's success or failure, and they may be correct.

Most important, the transfer of family private assets from generation to generation is a *gift*, not an entitlement.

**i3** Founder Kevin Heaton is a CFO who understands the cycles of wealth, the dynamics of family change and resultant behaviors. Mr. Heaton built **i3** on a clear methodology based upon personal, family experience: access to **information**, an **infrastructure** to support and manage complex needs, and **investment** options for capital placement.

Kevin Heaton *is* the Family CFO – an objective, experienced voice in crisis and calm. A trusted private asset management expert who considers the complex dynamics of family change.



# Your Asset Management Team

The primary function of the Asset Manager is to assist in all aspects of the administrative, financial, capital and operations of the assigned portfolio. Essential functions include the oversight of local, third-party property managers and leasing agents, and the proposal of goals and objectives for each property.

**i3** Asset Managers implement asset strategy and provide ongoing status and reports to the Investment Committee.

**i3** Asset Managers also provide ongoing market intelligence to keep our clients informed. They evaluate, select and manage third-party vendors such as property managers, appraisers, leasing agents, construction managers, contractors, developers, attorneys, and other vendors, manage the capital stack, oversee financings and re-financings, deliver custom reporting, oversee distributions to shareholders based upon operating agreements and when necessary, educate the owner, board and/or fiduciaries.



## MANAGEMENT CASE STUDY: SUPPORTING THE VISION OF THE FAMILY FOUNDATION

For one family, maintaining the promise of community contribution is paramount. Following in their founder's footsteps, the family continues to support children's education, community learning centers, parks and gardens, and doctrinal teaching while maintaining the family business operations.

**i3** helped clarify the goals of Sustainability, Charitable Giving and Preference Asset Investments, and continues to support the Foundation with Acquisition, Asset/Risk Management, Reporting, and Disposition services.

The legacy continues to thrive and meet its philanthropic goals.

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# i3 Leadership

The **i3** team provides a unique combination of real estate, business management, and investment knowledge that offers clients a tailored experience for their investment/management needs.

We are careful and dedicated stewards of our client assets and the growth of their long-term wealth.

**i3** is a team of asset-sophisticated professionals who provide clients with access to relevant information to make informed decisions, the infrastructure (team and tools) to actively manage their assets, and investment opportunities (directly or through managed funds) to (re)invest their capital.



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**At the core of i3's philosophy is the preparation of the next generation to responsibly and ethically manage the dynamics of wealth.**

## ABOUT i3

**i3 is a Boutique Private Asset Management Family Office with a passion for helping families manage the complexities of family wealth and behavioral dynamics.**

**i3** Private Asset Management's value proposition is in our breadth of market knowledge, transaction and due diligence experience. We combine this experience with senior-level, on-going management and comprehensive reporting necessary to insure our clients have the information to make informed decisions about their private assets.

We offer a proprietary, open-architecture platform that allows high-wealth families, closely-held companies and private institutions to access relevant **information** allowing key decision-makers to make informed decisions, the **infrastructure** to acquire and manage assets, preserve and grow a portfolio of private holdings (e.g. partnership interest, operating companies, direct investments and real estate), and **investment** options that allow the preservation and continued reinvestment of capital.

**i3** does not replace current professional service advisors; rather, we augment and enhance existing services and relationships.

Most important, **i3** brings a unique passion, perspective and real-world, family dynamics management skill-set to every engagement.

*To learn more, visit us on the web at [i3resources.com](http://i3resources.com).*





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