

Private Real Estate Financing Overview | 2018



PRIVATE  CAPITAL
INVESTMENTS

Recent Transaction #1

\$1,400,000

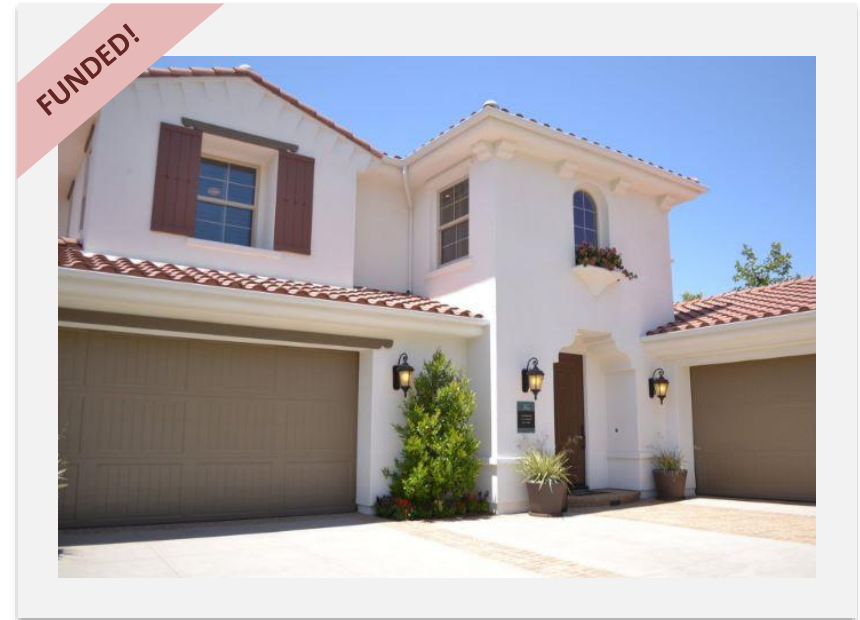
Acquisition

1st Position

75% LTV

SFR – Alamo, CA

The borrowers were creditworthy and qualified with sufficient income and assets, and had a 25% cash down payment. However, the breadwinner had recently accepted a job with a new company, and despite being employed consistently in the industry for 20 years, the bank underwriters considered the temporary break in income as a non-qualifying factor. The borrowers did not want to lose an opportunity to purchase a great investment property by waiting 6 months for the new employment and income to be considered seasoned. So they requested a private loan from Private Capital Investments. We structured a very creative loan program, with a 5% interest only rate and a 5% lender exit fee, which allowed the borrower to manage the debt during the loan term, and also satisfied our investor's yield requirements. Private Capital Investments closed the loan in 5 business days from loan submission.



Recent Transaction #2

\$168,000

Refinance

3rd Position

51% LTV

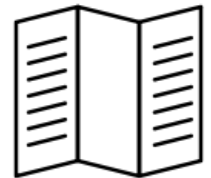
SFR – Ben Lomond, CA (Primary residence)

The borrower was in need of quick capital in order to take advantage of an investment opportunity. 3rd position loans are extremely rare and challenging to underwrite. However, we agreed to this structure based on the following factors; the senior loans were both bank loans with low rates and extended maturity dates, the size of our loan in proportion to the 1st and 2nd was manageable (approximately 2 to 1 and 1 to 1) the combined LTV was only 51%, providing significant equity protection, and the borrower was very creditworthy. We were also comfortable with the business purpose of the loan, a well planned and feasible improvement project, which was located on the same street as the subject property.



Our Company Background

- ▲ Private Capital Investments was founded with unwavering ethics and integrity.
- ▲ It is our mission to represent all of our clients with the utmost respect and accountability.
- ▲ We understand the challenges and stress that borrowers endure throughout their real estate financing process.
- ▲ With over 50 years of combined experience, the principals of Private Capital Investments can help to mitigate the stress for our clients by navigating them through the loan process in a concise, professional and transparent manner.
- ▲ Private real estate financing is designed to provide strategic and/or opportunistic capital for borrowers unable to obtain institutional financing, or who needs expedited loan closings.



What Is Private Money?

- ▲ “Private” simply describes the source of the funds; the capital is sourced from individual investors rather than institutional lenders or banks.
- ▲ We have a network of high-net-worth individuals who are the lenders/beneficiaries of the Notes, which are secured by Deeds of Trust on the borrower’s property.
- ▲ Other Terms Used
 1. Hard Money
 2. Non-Conventional
 3. Alternative
 4. Bridge Financing
- ▲ In addition to individual investors, we work with other mortgage funds, hedge funds, private equity firms, and REITs.
- ▲ Arranging loans on all property types; land, residential, commercial properties in California, Hawaii, Nevada, Arizona, Oregon and Washington.
- ▲ Investors can invest through a variety of investment vehicles such as self directed IRAs, pension plans and trusts.



Typical Loans

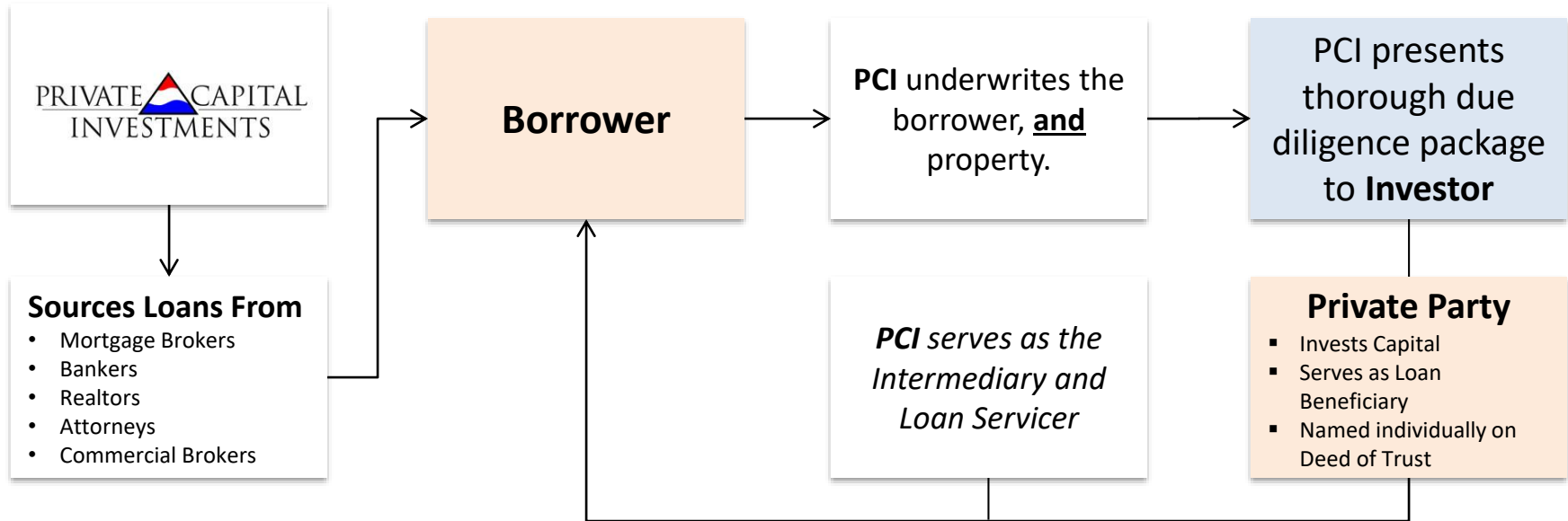
1. Short Term – Typically 12-36 months
2. Always secured by Real Estate
3. Conservative Leverage – 75% maximum (usually 60% or less)
4. Faster Closings – Much faster than bank financing, generally within 5-7 business days upon receipt of a completed due diligence package.
5. More expensive than banks or other financial institutions – 8% to 15% interest rate, 1 to 5 points
6. Equity based underwriting – Loan based on collateral value, not borrower credit or tax returns.
7. Specific exit strategy required – generally is a sale or refinance of the property.

Borrower Profile

- ✓ Entrepreneurial
- ✓ Real Estate Owner
- ✓ Significant Equity
- ✓ Unable to Obtain Institutional Financing
- ✓ Specific & Feasible Exit Strategy
- ✓ Specific Business/Investment Purpose
- ✓ Urgency Required



Overview of Process and Roles



Trust Deed investing, also known as “private” or “hard” money, is a niche investment vehicle which offers an attractive return with the security of a Deed of Trust lien on the real estate collateral.



Our Loan History

- ▲ We are managing a private investor portfolio of approximately \$35,000,000.
- ▲ The percentage of our transactions that resulted in loss of capital since 2007 is 6%.*
- ▲ Utilizing our private investor network, we have been successfully originating and servicing loans from \$50,000 to \$15,000,000, secured by Notes and Deeds of Trust on commercial and residential properties.
- ▲ We have assisted hundreds of property owners purchase or refinance with alternative real estate financing when their banks refused or failed them, or simply could not perform quickly enough.

Types of Loans:



Residential Loans



Fix & Flip Loans

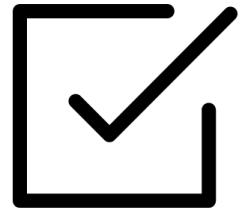


Commercial Loans

*Information is based on data through December 2017.




Our primary criteria for underwriting loans are the following:

- ✓ **Conservative leverage;** Typical LTV is in 60% range but we can go as high as 80% if the components of the deal merits higher leverage.
- ✓ **Qualified Borrower;** Not FICO driven, but verified capacity to manage the proposed debt and other property expenses.
- ✓ **Plausible Exit Strategy;** Our Notes are relatively short term and a realistic payoff plan needs to be in place at the time we fund the loan.
- ✓ **Non-consumer;** Our loans must be utilized for verifiable investment for business purpose, not personal use.
- ✓ **Exemptions;**
 - ✓ Majority of proceeds for business purpose (51% or more).
 - ✓ Borrower is a business entity.
 - ✓ Bridge Loans.



How We Do Business

In today's credit strapped environment there are countless borrowers who deserve a loan by any qualifying standards, but are being shut out by banks who are either unwilling or unable to lend them money.

| | | |
|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| Target Borrowers | <ol style="list-style-type: none">1. The borrower that has demonstrated fiscal conscientiousness and responsibility.2. Has a defined purpose for and use of the loan proceeds.3. Has a clear and plausible exit/payoff strategy. |  |
| Underwriting Factors | <ol style="list-style-type: none">1. Equity protection (LTV).2. Location of collateral, market trends in the collateral's vicinity.3. Physical condition of collateral.4. Financial condition and credit history of borrower.5. Debt service capacity of borrower. |  |
| Additional Protection | <ol style="list-style-type: none">1. Interest reserves.2. "Due on" provisions3. Personal guarantee if the borrower is in the form of a business entity.4. Tax and insurance maintenance. |  |

About Our Borrowers

- ▲ A portion of our clients have experienced traumatic economic distress which has affected their credit rating and ability to borrow money from banks.
- ▲ We can assist these borrowers on a case-by-case basis as long as the loan we are providing them is on an extremely low-leveraged property, based on a conservative valuation. This is truly equity or collateral-based lending.
- ▲ A much larger percentage of our borrowers are extremely credit-worthy and financially sound. They have historically good credit and verifiable assets and reserves.
- ▲ However, they have a unique or time-sensitive funding request that falls out of the box of traditional banking guidelines or capacities.



Risk Management Practices

- ▲ While Trust Deed investing is extremely profitable with substantial upside potential, there are inherent risks, as is the case with any investment. We want you to be fully aware and knowledgeable of these risks and of the recourse methods we have to deal with and mitigate these risks.
- ▲ The security of our investor's capital is a top priority, which is why we have developed such a comprehensive due diligence process, as well as aggressive and effective loan servicing techniques.
- ▲ The investment opportunities PCI presents to you have been thoroughly vetted including; site inspection and market analysis, borrower and guarantor interviews, credit and financial investigations, and exit strategy feasibility.
- ▲ While nobody has a crystal ball, and we certainly will not pretend to know what will happen in the future, we do believe that there are trends in the market, both historical and current, that suggest that investing in real estate remains a secure and profitable investment option.



Background of Partners



**Gary
Bowers**

- ▲ Upon earning a football scholarship as a running back Gary attended Wichita State University and graduated in 1964.
- ▲ He accepted a position with Wells Fargo Bank in 1972 with the newly formed Commercial Banking Division.
- ▲ He managed the commercial banking divisions sales group for several years before accepting a position in the Retail Banking Division as head of the statewide sales activity for all branches.
- ▲ Gary resigned his position with Wells Fargo in 1980 to embark upon his entrepreneurial career. During the 1980's Gary was involved in oil/gas drilling projects in Oklahoma, Tennessee, and West Virginia. In addition, Gary obtained his real estate brokers license in 1980 and began representing buyers and sellers of commercial real estate specializing in apartment buildings.
- ▲ Gary also has personally owned and managed several apartment buildings, a shopping center, and an 80 stall horse boarding facility.
- ▲ In the early 1990's Gary began assisting clients to obtain financing that in most cases were very difficult to place and required extra effort and creativity. As a result of this activity, Gary founded Private Capital Investments and over the past 25 years has focused primarily in the private real estate financing business.



**Damon
Bowers**

- ▲ Damon was born in Hollywood, CA but was raised in Alamo. He is familiar with the Bay Area market and has developed hundreds of real estate and financing relationships through his local ties. He graduated from Monte Vista High School in Danville in 1993 and University of the Pacific with a B.A. in English in 1997.
- ▲ Damon enjoyed a 6-year career beginning in 1998 in the A.F.L. beginning with the New York Cityhawks, owned and operated by Madison Square Garden which is where home games were played. From there Damon played for the New England Seawolves in Hartford, Connecticut, the Houston Thunderbears, the Orlando Predators, and his final season was the with the Colorado Crush, owned by John Elway.
- ▲ Around 2001 the real estate bug hit Damon, and he prepared and passed the state exam while living in Huntington Beach. He immediately began working as a broker's assistant at Marcus & Millichap in Ontario, CA. Here Damon was groomed and tutored in the then booming commercial real estate market of the Inland Empire, northwest of Los Angeles.
- ▲ Ultimately, Damon decided his hometown of Alamo suited him best, and decided to permanently move back to the East Bay and settle in with the family business.

Private Capital Investments

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