PCG

Disclosure Statement

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Individuals and entities doing business with PCG may enter into a Loan Servicing Agreement with PCG which details the rights and obligations associated with this business relationship. A copy of a form Loan Servicing Agreement can be made available upon request at any time. Participating in loan transactions serviced by PCG can involve a high degree of risk and is suitable only for sophisticated individuals who can bear substantial losses.

Loans serviced by PCG will not be registered under U.S. federal or state securities laws or the securities laws of any other jurisdiction. Loans serviced by PCG have not been approved or disapproved by the Securities and Exchange Commission or any state or foreign securities regulator.

Any decision to lend is solely the responsibility of each lender, therefore each lender is responsible to obtain and review any and all documents necessary to allow said lender to make an informed decision regarding the evaluation of any loan. Prior to entering into a loan serviced by PCG, potential lenders are responsible for satisfying themselves with the valuation and suitability of collateral securing the loan. Information provided to lenders is usually provided by third parties and may not be complete or accurate and PCG makes no representations as to the validity of information it gathers from borrowers and other third parties. Further, the value or saleability of any collateral can change at any time and therefore, a lender's security or equity in collateral may also increase or decrease accordingly.

PCG is not an investment manager, advisor, or broker-dealer. PCG does not offer advice regarding the quality or suitability of any loan as an investment and assumes no responsibility or liability for any investment decisions or advice, treatment, or services rendered by any broker-dealer, advisor, investment manager, financial service provider, or other such individual or entity who represents themselves as being knowledgeable about investments or securities.

The funding of any loan is a transaction that involves significant risk and loans serviced by PCG may not perform as expected. Loans serviced by PCG are not secured by any depository insurance or insured or guaranteed by any agency of the state in which they occur or the U.S. federal government. The borrower on any loan serviced by PCG may default in required payments, and a lender may lose all or part of the principal amount lent and/or the interest it expected to earn from the transaction. Some of the most significant factors that affect a lender's risk in a loan transaction include: (1) the knowledge, experience and integrity of the borrower with whom the lender or PCG is dealing; (2) the market value and equity of the property that will secure the promissory note; (3) the borrower's financial standing and creditworthiness; (4) the escrow process involving the funding of the loan; (5) the documents and instruments describing, evidencing and securing the loan; (6) the provisions regarding the collection and servicing of the loan; and (7) the provisions for the enforcement of any lien instrument. There are significant real estate tax implications associated with loan transactions serviced by PCG. In order to preserve its interest in the real property associated with a loan, a lender may be required to pay the real estate taxes associated therewith or other expenses associated with the upkeep or maintenance of the property, either before or after foreclosure.

The data related to PCG's operations as set forth herein is for informational purposes only. This document has not been audited or otherwise verified by any outside party and should not be construed as representative of the performance that may be achieved in the future.

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INTRODUCTION

Private Capital Group, Inc. (PCG) is a private-loan servicing firm that services secured loans for individuals and companies. They assist private lenders from start to finish with locating, securing and managing a wide variety of asset-backed loans. PCG makes large, private lending opportunities available to individuals and companies who want to diversify their portfolios to include real property while reducing risk by participating in a variety of opportunities.

Real estate investments can be intimidating due to their complexity and because a single piece of property can necessitate a large amount of investing resources. Even though the upside might be significant, a lot of time, energy, and know-how are required to manage these ventures, especially when transactions don't go according to plan. Many individuals do not have the inclination or resources necessary to manage complicated real estate transactions. Lenders that utilize PCG for their loan servicing needs often find that there is little need to commit significant time and energy to take full advantage of ever-evolving real estate market opportunities.

PCG's team of lending experts (including former brokers, Realtors, title officers and attorneys) has been servicing real estate loans and related transactions since 2005. While many competitors have fallen by the wayside due to intense shifts in the market, PCG has thrived through their ability to adapt to changing market conditions, maintain consistent transaction flow, and protect their clients' interests. Throughout the years, PCG has been able to successfully develop a strong network and a variety of expertise which has helped position their clients to take advantage of the rapidly increasing number of opportunities in today's real estate market.

"PCG has thrived through their ability to adapt to changing market conditions..."

PCG has serviced over 300 private lending transactions.	PCG has serviced loans collateralized by assets in 38 States.	PCG averages around 80 potential loan application reviews each month.

PCG: A HISTORY OF ADAPTATION

“These adaptations helped PCG and their clients weather a time of significant economic turbulence while increasing the likelihood of success for borrowers’ exit strategies.”

During the company’s first few years, PCG’s founders focused on assisting their clients with finding alternative sources of income in a rapidly appreciating housing market. Initially, most of the loans serviced by PCG were very short-term and secured against residential real estate. These early loans generally enabled borrowers to purchase investment properties. Most were repaid through conventional financing or through the sale of the properties acting as collateral. Underwriting these transactions came naturally to PCG’s team because many of them had a sophisticated understanding of the residential mortgage lending industry gained through many years of experience.

After many profitable transactions, PCG was inundated with requests for new lending opportunities. Fortunately, this growing interest in lending opportunities was matched by a growing network of borrowers. PCG continued to advance its business of servicing loans that enabled all participants to achieve mutual success.

During the latter half of 2007, it became apparent to PCG’s executives that the residential real estate market was headed for stormy weather, and a change in business strategy needed to be made. This market change drove PCG to adjust important internal guidelines and practices. PCG made a shift away from dealing with residential real estate and moved toward commercial transactions. The average term of PCG-serviced loans was also extended to compensate for restrictions in conventional lending activity. These adaptations helped PCG and their clients weather a time of significant economic turbulence while increasing the likelihood of success for borrowers’ exit strategies.

Today, PCG continues to build on its success. A diversity of experience and a shared focus on improving all areas of its business guides PCG’s evolution in an ever-changing industry.

The U.S. economy weathered a period of intensive deleveraging and is expected to continue growing with accompanying slow growth in consumer spending, national loan activity and credit performance. While these are factors many people use to gauge their appetite for mobilizing hard-earned capital, these macroeconomic factors have only a marginal effect on the way PCG will do business over the next several years.

LOOKING FORWARD

Individual real estate assets have lower exposure to systematic risk (also called aggregate risk or market risk) than other vehicles of capital such as stocks, bonds, commodities, currencies, etc. Typically, the price and investment value of an office building, for instance, will not be significantly affected by broad, systematic changes in the market. Commercial asset values are generally dependent almost solely on the numbers. They do not change dramatically due to national news like the fickle stock market or chaotic currency markets.

Think about what might occur following an announcement of a half-a-percentage increase in the national unemployment rate. Within hours or days, reactive stock market activity could cause stock values to plummet, painfully impacting many investor portfolios. A simple news report has an immediate impact on a host of factors affecting stock prices across the board that may take months, if not years, for full recovery. Alternatively, nationwide reactivity to the economy rarely has significant impact on values with respect to most commercial properties.

Systematic risk is not to be confused with systemic risk, which is the risk that the financial system will collapse. Systemic risk does impact commercial real estate assets just as it does the value of all assets in an economy, as we saw in the 2008 collapse. In most cases, however, the value of commercial real estate is most heavily influenced by non-systematic or specific risk factors such as local supply and demand for leasable office space or the prevailing opinion at the local level regarding economic growth or decline.

Most experts do not anticipate additional systemic shocks in coming years, and most remain confident that the U.S. real estate market will not experience the volatility of the recent bubble collapse again due to control measures enacted during the downturn. Irrespective of the state of the real estate industry, over its history PCG received hundreds of potential loan applications each year. Experience gives PCG confidence it will continue to provide loans secured by real property at loan-to-value ratios that minimize downside risk in any market condition. As long as PCG and its clients are effectively gauging specific risk factors associated with each transaction, lenders will have an enduring supply of secure, high-yield lending opportunities for many years to come.

GUIDING PRINCIPLES

PRESERVATION OF CAPITAL

PCG places an overriding emphasis on preservation of lender capital. All underwriting and servicing efforts begin and end with this objective in mind.

INVESTMENT ANALYSIS / CREATION

PCG's screening and due diligence process is designed to ensure creative and value-added financing solutions. Within PCG's investment analysis framework, bottom-up analysis drives the selection of individual investments with strict guidelines for value, borrower and liquidity criteria.

CUSTOMER SERVICE

PCG is committed to provide consistent and timely feedback to protect clients from the unexpected.

SEEK WIN-WIN TRANSACTIONS

PCG favors transactions with maximum profit potential for all participants. This is one of the key reasons PCG has accumulated a lengthy track record of success.

NAVIGATING THE MARKET

Prevailing market conditions directly impact the various needs for private financing but rarely impact its overall demand. In an appreciating market, speed is crucial. Private capital is often used as a competitive tool to help investors gain advantage in negotiating and acquiring real property when competition and demand are high. In depreciating market conditions, one of the greatest obstacles real estate investors experience is qualifying for conventional financing. Private loans become a primary source for acquisition funds. In 2007 lending standards tightened almost overnight, reducing the flow of institutional money to a trickle. Because this scarcity in institutional capital endures through tightened lending standards, builders, developers, investors, and entrepreneurs are limited in their ability to take advantage of abundant real estate-backed opportunities in the current market.

OUR MARKET NICHE

PCG services loans secured by collateral with established equity. Preferred collateral includes income-producing commercial properties such as apartment complexes, commercial office buildings, hotels/motels, storage units, and industrial complexes. Foreclosed or distressed commercial and residential developments that may require improvements, construction, or rehabilitation are also commonly used as collateral.

PCG exists in a very specific and strategic industry niche, focused on transactions ranging from $2 million to $15 million. There are many groups capable of funding sub-million-dollar transactions, and most of these lenders focus on single-family residential properties. Alternatively, transactions over $20 million tend to attract large hedge funds or publicly traded holding or investment companies, most of which are willing to lend at near-conventional rates. PCG has built a solid reputation by filtering through transactions in its target range and funding them in a timely and consistent manner.

PCG receives funding applications from across the nation, but strategically targets specific, lender-friendly markets that provide the greatest security to its lenders. Knowing and understanding the risks inherent in a selected locale has been one of the primary factors for PCG's success.

CONTINUED
OUR MARKET NICHE

When underwriting loans, conventional lenders focus primarily on potential borrowers' credit rankings, evaluated according to static, bank-determined criteria that tend to be standard across the industry. Their second consideration is the value of collateral, which is primarily evaluated through third-party valuation assistance such as an appraisal. These techniques are designed to allow unsophisticated credit analysts to make decisions quickly and economically on the bank's behalf. Banks routinely accept loans that, due to extenuating circumstances, pose a higher risk than their criteria indicate. This happened in thousands of loans between 2000 and 2007, which proved to be a major factor in the collapse of many such conventional institutions.

Following upheavals in the real estate market, the underwriting processes utilized by conventional lenders over corrected to an opposite extreme. Bank prerequisites are now so stringent that it is common for underwriters to reject perfectly viable loans unable to precisely fit their limited criteria. It remains challenging for borrowers with strong credit and ample income to qualify for traditional bank loans.

Over the years, PCG has built a network of professionals with a consistent demand for private capital. These relationships include brokers, real estate agents, homebuilders, developers, commercial and residential loan officers, title insurance agencies and other organizations. In additional to these key relationships, PCG has established a web presence to connect with additional individuals and groups seeking capital assistance. PCG consistently maintains a large pool of opportunities. In a typical month, PCG will receive 50 to 100 unique requests for funding.

Naturally, PCG requires each borrower to demonstrate their ability to execute the agreed-upon exit strategy. But because borrowers can be unreliable, often due to circumstances beyond their control, PCG places its primary emphasis on the underlying value of the collateral when evaluating a transaction. PCG structures transactions such that, in the event a borrower fails to repay a loan, reclamation of collateral is a positive experience. In some cases, lenders have realized significantly greater profit through liquidation of foreclosed property than would have been attained had the borrower simply repaid the loan according to its original terms.

PCG-serviced loans typically include sufficient collateral to bring the loan's LTV (loan-to-value) below 65%. This means that if a borrower's collateral has been conservatively valued at $1,000,000, PCG's lenders would typically loan up to $650,000 secured against the property. In the event of default, the remaining equity lessens the risk of loss to lender capital.

WHY PRIVATE FINANCING?

Borrowers choose PCG, rather than conventional lenders, to provide capital assistance for the following reasons:

SPEED

Banks are not able to fund a loan within the time frame required by the borrower.

ACCESS

The borrower does not qualify for a conventional loan due to credit stipulations or the value and complexity associated with the borrower's collateral.

FLEXIBILITY

Borrowers who are looking to finance a venture requiring creative problem solving are more likely to accomplish this through PCG than through institutional lenders who are bound by strict requirements for transaction structure and collateral type.

CORE UNDERWRITING GUIDELINES

LOW LTVS AND CROSS-COLLATERALIZATION:

PCG generally recommends lending at no more than 65% of the value of the collateral securing any loan. There are cases in which an exception is made, such as situations in which the collateral has demonstrated cash flow or is located in a preferred location. However, restricting LTV ratios to a level lower than those accepted by conventional lenders leads to an increased likelihood of refinancing. If a borrower's primary exit strategy is to obtain refinancing PCG will often structure a transaction to maintain an LTV below 65%. In the event of foreclosure, lower LTVs also increase the probability of selling the collateral quickly to protect lender capital.

When a single property does not have enough equity to justify a requested loan amount, PCG may still recommend issuing a loan if the borrower is able to provide additional collateral. Cross collateralization is a common practice PCG uses to lower risk and to help borrowers use additional real estate assets to qualify for financing.

FIRST LIEN POSITION

PCG considers it very risky to lend without a first lien position on the borrower's primary piece of collateral. Although cross-collateralized loans may include ancillary property with existing debt or liens, PCG requires a senior lien on the most significant piece of collateral each time a loan is tendered. This prevents other lenders from foreclosing and eliminating a lender's interest in an asset. Junior lien holders do have certain rights, but after extensive experience with foreclosure and bankruptcy proceedings, PCG has learned to assign little to no value to assets with liens senior to the lending clients' lien.

"AS IS" VALUE & ADDED VALUE:

PCG uses its best efforts to determine the "as-is" value of collateral being used to secure a loan. "As-is" means the value of the property in its current condition without any future improvements. This does not preclude construction loans, however. PCG will not release construction draws without taking reasonable steps to verify an increase in the value of the construction project. In this way, a cushion of equity protects lender capital.

Another way PCG leverages LTV is by selecting loans secured by collateral the borrower plans to improve after the loan is made. Typically these loans are made to developers, builders, rehabbers, short sellers and property managers. Whether the borrower is obtaining zoning changes, making property improvements or increasing rental occupancies, PCG prefers to work with people who have the skill and know-how to dramatically increase an asset's value.

CORE UNDERWRITING GUIDELINES

SKIN IN THE GAME

One of the best ways to ensure borrowers remain committed to loan repayment is to require what we call "skin in the game". Generally, a borrower's fear of losing unrealized profits is less motivating than the fear of losing money paid out-of-pocket. Before recommending a loan to its lending clients, PCG tries to ensure that each borrower has substantial cash or equity invested into collateralized assets, money they stand to lose first if the loan is not repaid.

In addition, PCG often requests that personal guarantees be signed by executives, managers, and owners of any company that is borrowing money from its lenders. In some situations PCG even requests that brokers and other related parties sign personal guarantees so that they are personally responsible for repaying the loan if the borrower fails to do so.

LIQUIDITY

Real property is relatively illiquid when compared to other common investment vehicles such as stocks, bonds, commodities, etc. For instance, significantly more time and energy are required to convert real property to cash than to convert a publicly traded stock. In addition, holding a publicly traded stock will generally not require future cash in order to maintain value. This is not the case with real property. Almost all real property requires cash to maintain value, be it in the form of property taxes, legal costs, maintenance, etc.

PCG strives to help lenders mitigate liquidity risk by accepting loans backed by assets that produce cash flow or for which there is significant demand in the market. PCG prefers loans backed by income-generating properties, such as apartment buildings, strip malls, hotels, office buildings, and warehouses. PCG will rarely accept loans backed by unimproved raw land, an unproductive asset that produces little to no cash flow. Unimproved raw land is also difficult to liquidate in today's market. Residential and commercial developments with no vertical construction are sometimes exceptions to this rule. With multiple units for sale, developments are considered cash flowing as long as there is adequate demand for their inventory.

MULTIPLE VALUE OPINIONS

The majority of loan requests submitted to PCG are accompanied by an appraisal. PCG's underwriters and lenders may rely on appraisals. An appraisal, however, is only one opinion of value. Certified appraisers can err on the high end of value if requested to do so by a borrower and this is a situation PCG prefers to avoid. For this reason, we present lenders no less than three opinions of value before a loan structure is finalized. Alternatives may include current tax valuations, broker price opinions, cost approach valuations, and income approach valuations.

PCG'S EXPERTISE

Private lending or investing in real estate can be very time consuming, especially when the unexpected occurs. PCG's principal goal is to allow lenders to participate in private loans and other transactions in the most time-efficient manner possible. PCG performs the majority of the leg work to allow lenders to act primarily as decision makers after options are presented. This is accomplished through several key PCG services and processes.

SOLICITING POTENTIAL BORROWERS

Through extensive networking and marketing efforts, PCG gathers a significant number of potential lending opportunities each month. Borrowers or brokers contact PCG to submit an application for private funding needs. Lenders take advantage of the PCG network and have instant access to a large volume of opportunities.

DUE DILIGENCE

PCG uses information provided by potential borrowers to determine whether or not an opportunity is worth pursuing. If the initial decision is positive, PCG will deliver a Letter of Intent to be signed and returned by the potential borrower. PCG then accumulates relevant data to assess all aspects of a potential loan such as title reports, appraisals, environmental reports, pro forma financials, and expert opinions. Gathering due diligence also includes a site visit by PCG to corroborate the information obtained through third party reports. PCG then disseminates a packaged report to its network of lenders and invites them to review and determine whether the loan terms meet their personal requirements for risk, duration and return.

UNDERWRITING

PCG interfaces with title companies, attorneys, and other professionals to obtain 3rd party due diligence materials used by interested lenders to form their opinion about a potential transaction. During this stage, PCG disseminates information to interested lenders as the transaction evolves and uses lender feedback to negotiate terms with the potential borrower. When lenders become comfortable with the terms as negotiated by PCG, they formally dedicate capital to the opportunity.

FUNDING ASSISTANCE

Once all parties have formally committed, PCG works with lawyers and a title company to arrange final underwriting and closing of the loan. Depending on loan complexity, this process can take anywhere from a few hours to several days. PCG assists lenders in working directly with the title company to ensure lender funds are wired directly into the title company's escrow to fund the loan. Each lender's name appears as the secured party on all loan documents.

PCG'S EXPERTISE

LOAN SERVICING

PCG manages payments and takes action as needed to ensure that assets backing the loan are maintained and that lender interests are protected. Immediately after funding, PCG provides borrowers a single point of contact to eliminate any potential for frustration or confusion. PCG also assists borrowers in accomplishing their exit strategy. Each transaction is matched with an industry professional within PCG's organization who has specific experience in the particular collateral or transaction type involved. This measure increases the likelihood of timely repayment and helps to forestall setbacks capable of distressing the loan.

DEFAULT AND FORECLOSURE

During the terms of loans serviced by PCG, executives are in constant communication with borrowers in an effort to help them stay current and repay their loan on time. If a loan enters default, PCG has already been working extensively with the borrower and is prepared to take appropriate action to protect lender capital. PCG minimizes the risk of forfeiture by providing full loss mitigation services, including loan modifications, extension negotiations, deeds-in-lieu of foreclosure, foreclosures, and liquidations. Most loans serviced by PCG are full recourse and PCG works with law firms to pursue borrowers and personal guarantors, as well as handle any legal matters that may arise.

LIQUIDATION

If lenders desire to liquidate the collateral for a loan after obtaining title or ownership following a foreclosure or otherwise, PCG will advise them regarding the various options that may exist. PCG then acts pursuant to directions received by a majority of the lenders associated with the loan. Actions may include improving, marketing and selling the collateral. Many loans serviced by PCG are backed with cash-producing assets. In these cases, PCG ensures that assets are managed correctly in order to maximize cash flow until the property can be sold. If the collateral is simple, such as a small office building or rental unit, PCG may outsource these responsibilities to a property manager. In extreme cases, sophisticated solutions are necessary to maximize the liquidation value for lenders. In these scenarios PCG may use its own resources to manage or improve the property. PCG has successfully managed businesses as diverse as oil refineries, trucking operations, apartment buildings, storage units, trailer parks, vacation rentals, ranches, gas stations, and hotels.

WHY LENDERS CHOOSE PCG

PCG provides a high-demand, niche service for real estate investors in both expanding and contracting market environments. The risks particular to these market conditions are distinctive, but each provides opportunities for potential revenue. PCG has experienced success through expansion and contraction in the marketplace and has developed business practices that enable lenders to capture high returns on their capital while maintaining relatively low risk. While many companies have failed, PCG continues to grow through their rigorous practices of maintaining desirable risk-to-return ratios and offering services not traditionally extended by competitors.

THE OBJECTIVE: PRESERVE CAPITAL

The key to successful long-term investing is the preservation of capital. Warren Buffett, arguably one of the world's greatest investors, has one stated rule when investing, "Never lose money." Capital preservation has been PCG's main objective since its inception. Every PCG system and process is designed with this goal in mind. This concern is followed closely by a careful examination of potential returns. This prioritization has allowed PCG's lenders to maintain a stellar track record in both capital preservation and profitability.

PCG'S GUIDING PRINCIPLE: LENDERS FIRST

Lenders are the lifeblood of PCG's success. PCG safeguards these relationships with tremendous care. In all decisions, the welfare and interests of PCG lenders are at the forefront.

PCG is constantly striving to improve communication and transparency with lenders to ensure they have a positive experience with each transaction. Part of this effort includes the Lender Portal, an online service that allows lenders to view activity and documentation associated with their portfolio of loans. PCG regularly solicits feedback from lenders to enhance the lending experience.

WHY BORROWERS CHOOSE PCG

Borrowers choose to work with PCG when they need lenders who can think outside the box. PCG fulfills a niche in helping finance projects unacceptable to institutional lenders. In many cases, borrowers bring opportunities to PCG that have genuine profit potential but are deficient in structure. Many borrowers have a difficult time understanding all sides of a transaction and may structure their offer in suboptimal ways. PCG is very skilled at developing creative solutions to obstacles encountered during the underwriting process. It is not unusual for PCG's team of executives to negotiate with banks and third parties on a borrower's behalf to enhance an opportunity and to create greater potential for a win-win scenario. This approach toward a business of mutual benefit, as opposed to a zero-sum game, is unusual and it sets PCG apart from other companies in the industry.

The second reason borrowers choose PCG is the speed with which a private loan can be funded. A key barrier with traditional institutions is the time needed to accept, underwrite, assess, approve, and fund a loan. PCG frequently receives loan requests that must be fulfilled in less than two weeks. This is less time than an institutional lender would need just to get the loan into underwriting! PCG is able to meet short deadlines through streamlined processes and informed decision-making in a condensed time frame. The close association PCG's executives share with lenders and potential borrowers as they optimize a loan provides an enhanced perspective into the project and facilitates quick resolutions.

The third reason borrowers prefer PCG is its commitment to sensible, profitable transactions. PCG does not over-promise. Our team has the ability to quickly know what will and will not be acceptable to lenders. When PCG commits to a loan, they commit to making it work. This has led to repeat business from borrowers who, despite the possibility of finding lower rates elsewhere, prefer to work with PCG rather than its competitors.

"When PCG commits to a loan, they commit to making it work. This has led to repeat business from borrowers who, despite the possibility of finding lower rates elsewhere, prefer to work with PCG rather than its competitors."

CLIENT SERVICES

At PCG, lenders are partners in a shared financial objective. PCG strives to provide avenues for efficient communication and to involve lenders in every step of each transaction. Crucial decisions are fully informed and carefully negotiated. PCG has designed and implemented tools to coordinate with lenders to ensure fluid and timely information exchange.

ONLINE LENDER PORTAL

PCG has developed a sophisticated online system for lenders to access vital information regarding their personal profile and lending activity. This information includes due diligence materials, payment information, loan documents, and progress updates. This portal is the primary means PCG uses to disseminate information and is continually being improved with new features based on feedback from existing lenders.

PERSONALIZED CUSTOMER SERVICE

PCG realizes that some people prefer human interaction. Trained and fully informed PCG customer service representatives are happy to assist with any concern or question lenders might encounter. Lenders are encouraged to call or email for direct and dependable communication. Lender feedback is welcome and has been a valuable resource in PCG's ongoing evolution.

PCG’S PERFORMANCE HISTORY

2005-2007

Loan Types: Residential, Pre-Development Land

Typical Terms: 18% to 36% APR

30 to 90 days; 65% LTV

$250,000 to $1,000,000

SUMMARY:

Early on, PCG's network of borrowers consisted of residential loan clients and investors looking to acquire properties to quickly flip for a profit. It also included developers looking to acquire land and improve its value through zoning and entitlements for sale to residential builders. Underwriting was very simple: ***obtaining appraisals, checking borrower credit, and reviewing exit strategies.***

Due to the short-term nature of these transactions and accompanying exit strategies, higher LTV's and costs were acceptable. A large number of transactions were closed during this time. Our competition was similarly priced, but our speed and our network offered competitive advantages.

SYNOPSIS:

The first few years presented an incredible opportunity for the foundational development of PCG including principles, guidelines, and strategies used by PCG to provide great service to our lenders today. While PCG's underwriting and servicing processes were in their formative stages, the company developed a reputation for ethical business practices, maintaining transparency with clients and safeguarding all participants in each transaction.

2007-2009

Loan Types: Residential and Commercial Developments, Warehouses, Mining Operations, Refineries, Gas Stations, and Other Commercial Property

Typical Terms: 18% to 28% APR

6 to12 months; 40% to 60% LTV

$500,000 to $2,500,000

SUMMARY:

With the changes in the residential housing market in 2007, PCG altered its strategy. The sudden loss of conventional financing as an exit strategy meant transaction terms were elongated. The biggest challenge in this time period was the number of transactions that ended in foreclosure. In these cases, PCG took an active management role to handle litigation and in some cases bankruptcy. These experiences were costly, but provided PCG with a wealth of knowledge and experience that has made subsequent transactions more efficient and successful. PCG's strategy also shifted from residential transactions to servicing primarily commercial transactions

SYNOPSIS:

This was a challenging time for PCG. Underwriting and servicing processes were further refined with a drastic shift in the nature of transactions undertaken. PCG focused on attracting clients with a more sophisticated understanding of real estate, investors seeking the amazing opportunities that a volatile market provided. PCG's performance far outpaced competitors and the market as a whole, which helped our clients remain loyal.

2009-TODAY

Loan Types: Office Buildings, Apartments, Gas Stations, Developments, and Shopping Centers

Typical Terms: 15% to 25% APR

12 to 18 months 35% to 69% LTV

$2,000,000 to $15,000,000

SUMMARY:

Even as the real estate market recovered, many competitors continued to leave the market as a result of the downturn. This allowed PCG to expand its reach further into commercial lending. Beginning in 2010, PCG primarily focused on loans backed by cash flowing property, properties with tremendous equity, or borrowers with multiple exit strategies. Loan terms lengthened even further to attract premier opportunities and reduce risk for both PCG and its lenders. Current transaction velocity has not yet reached 2007 levels; however, transaction size has increased substantially. PCG has the capacity to increase the velocity of transactions through increased resources and streamlined systems.

SYNOPSIS:

Through many challenges, the PCG team has discovered that successfully managing the private lending process is the result of the company's foundational principles: adaptability, willingness to solve complex problems, and a determination help make each transaction successful. PCG has a very secure foothold in a niche market in which lenders can find a unique blend of stable, high-return investments. PCG is looking forward to continued success for many years into the future.

TYPICAL LOAN EXAMPLES

BLACK ROCK RIDGE

Fund Date: 7/25/2011

Close Date: 7/22/2015

Amount: $4,055,000 (expanded to 6,133,588.54) with an approximate LTV of 38%

Terms: 12% interest rate with an initial term of 6 months (extended multiple times by paying additional fees)

This transaction was collateralized by a broken development just outside Park City, Utah. The borrower was able to negotiate a sharp discount on the 240-lot, fully improved development by agreeing to a rapid closing made possible by PCG. After holding the property for 8 months, the borrower brought in additional capital and requested an expansion of his loan to finance vertical construction. PCG negotiated additional fees for this service and managed construction draws on 8 units. The borrower expanded the loan once again a year later, bringing the loan amount to $6.1 Million, this time granting equity in the project to lenders as consideration for the expansion. Over the course of this loan the borrower ultimately financed the construction of over 50 units before final repayment on July 22, 2015 - almost four years from initial funding. To date, this is one of the PCG's most profitable loans.

COMFORT INN

Fund Date: 10/11/2012
Close Date: 1/31/2014
Amount: $1,630,000 with an approximate LTV of 64%
Terms: 12% interest rate with a term of 18 months

The borrowers on this transaction needed financing to complete renovations on a 63-room hotel located in Olive Branch, MS. The hotel owners signed a ten-year license agreement with Choice Hotels International ("CHI") to use the Comfort Inn trademark. CHI mandated a major renovation for this property in 2012 and this loan was needed to complete some major systems replacements such as the roofing, boilers, central air, exterior improvements and laundry facilities. The borrower completed these improvements in the spring of 2013, at which time he applied for a conventional refinance. The refinance successfully closed in January 2014 repaying the note in full before it came due.

CULLEN'S

Fund Date: 2/18/2015

Close Date: 12/31/2015

Amount: $11,450,000 with an approximate LTV of 50%

Terms: 12% interest rate with a term of 4 months

The borrower on this transaction used the loan to consolidate several existing debts including delinquent property and federal taxes. The loan was cross-collateralized by a 37,521 SF restaurant, 9 improved commercial lots, and 37 improved town home lots all in Houston, TX. After the borrower cleared the properties of tax liens, he was successful in obtaining a full refinance from a conventional lender. This process took longer than anticipated and the borrower paid extension fees as a result which increased the overall return of this loan.

PREP ACADEMY

Fund Date:	8/28/2013
Close Date:	12/20/2013
Amount:	$4,050,000 with an approximate LTV of 55%
Terms:	12% interest rate with a term of 12 months

The borrower on this loan was an Ohio-based not-for-profit corporation that owned and operated the Prep Academy Schools in Columbus, OH. The borrower was locked in a lawsuit with its lender over unpaid property taxes that forced it into bankruptcy. Because of its non-profit status the borrower should have been exempt from property taxes but the county refused to examine the issue until the taxes were paid in full. The borrower was able to negotiate a sharply discounted settlement with its lender contingent upon a quick close. PCG facilitated the speed requirement and this loan was used to pay off existing liens and bring property taxes current on three separate schools. The borrower later received reimbursement from the county for several years' property taxes and refinanced the remaining amount of this loan through a conventional lender within the term of the loan.

VILLA BIANCA

Fund Date:	8/7/2013
Close Date:	2/25/2014
Amount:	$2,500,000 with an approximate LTV of 67%
Terms:	12% interest rate with a term of 6 months

The borrower on this transaction needed cash to fulfill a purchase contract with rapidly approaching expiration on a hotel in Odessa, TX. Using a family-owned and operated inn and tavern located in Seymour, CT as collateral he attempted to raise the necessary capital by obtaining a loan from Wells Fargo. Realizing Wells Fargo would likely not come through quickly enough and fearing the loss of the opportunity, the borrower turned to PCG who was able to structure a bridge loan to execute the purchase. After securing the property, the borrower immediately applied for a conventional refinance that successfully repaid the PCG loan six months later.

STERLING SILVER MINES

Fund Date:	6/17/2008
Close Date:	5/18/2011
Amount:	$2,400,000 with an approximate LTV of 33%
Terms:	24% interest rate with a term of 4 months

The collateral for this loan included a large silver mine in northern Idaho needing funds to restart operations after being dormant for several years due to fluctuations in the price of silver. Shortly after funding this loan, the price of silver dropped dramatically and the borrower was unable to repay the loan. PCG initiated foreclosure and the company chose to file chapter 11 bankruptcy. While the bankruptcy was progressing, the price of silver bounced back. Other groups who had invested in the mine and were included in the proceedings came to the table and agreed to purchase the mine from bankruptcy. Because PCG and its lenders were in first-lien position on the mine's assets, PCG was able to negotiate a sales price that equated to almost 29% APR for the full three years lender capital was at risk.

692 MAIN STREET

Fund Date: 5/8/2013
Close Date: 4/14/2015
Amount: $5,300,000 with an approximate LTV of 51%
Terms: 12% interest rate with a term of 12 months

The primary collateral for this transaction included several single family lots in the Canyons ski resort and a commercial building located at 692 Main Street in Park City, UT. This borrower had already borrowed from PCG's lenders and successfully repaid the first loan in full and on time. He owned these assets free and clear and leveraged them to raise capital to re-purpose the Main Street property to a premier commercial building with five high-end residential units on the 2nd, 3rd and 4th floors. The borrower was able to complete most of these renovations before the loan matured. During the course of the loan the borrower sold the 4th floor penthouse suite and the residential lots that were additional collateral for the loan to significantly reduce the outstanding principal. The remaining balance was refinanced in a new roll-up loan provided by PCG's lenders in which the borrower brought in additional collateral for another project he was working on simultaneously.

3030 ATTRIUM

Fund Date:	10/24/2012
Close Date:	6/6/2014
Amount:	$3,300,000 with an approximate LTV of 66%
Terms:	12% interest rate with a term of 12 months

This loan was used to purchase a 100,000 square foot office building in a suburb of Chicago, IL. The borrower was a real estate investment group with a long track record of property revitalizations. This group successfully negotiated a cash purchase price of $23 per foot, though the property had been recently marketed at $45 per foot. The building was only 40% occupied though it had been recently renovated. The borrower brought cash to closing for tenant improvements and was able to attract several new tenants by marketing space at below market levels due to their reduced capital cost. After successfully stabilizing the property, the borrower received a conventional refinance which repaid PCG's lenders in full.

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