

Pompano Beach Investment Program

\$1,060,000 Loan Secured by a 1st Mortgage on 2 prime parcels with over 18,000 square feet of office space planned for redevelopment and an operating marina

Return to Investors: 13% per annum

LOAN SUMMARY



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Executive Summary

Loan Amount:	\$1,060,000 Gross
Interest Rate:	15% per annum
MMG Capital Servicing Fee:	2% servicing fee
Pass Through Interest to Investors:	13%
Term:	16 Months
Investment Collateral:	<p>1 parcel of prime, waterfront property plus an adjacent parcel totaling approximately 2.5 acres with 18,000 square feet of empty office space planned for redevelopment and an operating marina</p> <ul style="list-style-type: none"> • 1st Mortgage on Property • Personal guarantee from high net worth borrower • Additional ½ acre to be added during the redevelopment process, potentially increasing the value of the property by approximately 25% • <i>Current loan-to-value ratio is below 10%</i> • Property previously sold in 2007 for over \$28 million <p>Additional collateral of \$2 million waterfront property in Washington State on Puget Sound</p> <ul style="list-style-type: none"> • 2nd Mortgage behind small 1st mortgage of approximately \$100,000
Property Value Estimate:	<ul style="list-style-type: none"> • MAI Appraisal: \$10 million (with ½ acre deeded) • Tax Assessment Market Value: \$8.28 million (as-is)
Use of Funds:	<ol style="list-style-type: none"> 1. Redevelopment of the site, including acquiring deed to additional ½ acre 2. Pay loan fees and closing costs
Exit Strategy:	<ol style="list-style-type: none"> 1. Refinance into construction loan 2. Sale of property 3. Cash infusion from partners

The Borrower

The borrower is a developer that has entered into a joint venture with a national life insurance company for the purpose of redeveloping or developing their various real estate holdings. The developer is a high net worth borrower and will personally guarantee the loan. He has already personally contributed approximately \$1,000,000 towards the redevelopment of the project. He has also agreed to provide additional collateral for the loan from his personal balance sheet as outlined in the below.

The actual borrower will be a single-asset entity owned by the developer as required by MMG Capital.

Use of Loan Proceeds

The purpose and uses of proceeds from the MMG Capital loan include:

Provide Capital for the redevelopment and expansion of the subject property:

All of the proceeds from the MMG Capital Loan will be utilized to pay for items related to the redevelopment of the subject property, including but not limited to:

- Architecture & Engineering Expenses
- Real Estate Taxes
- Legal Fees
- Accounting Fees
- Franchise Fees
- Marina Operation Fees

Pay Loan Fees, Interest and Closing Costs

The remainder of the proceeds from the MMG Capital Loan will be used to pay loan fees, costs associated with the new MMG Capital Loan, and to fund an interest reserve.

The Subject Property

Pompano Beach Redevelopment

The 3-acre site, currently separated into two adjacent parcels, includes prime waterfront property. It was last sold for over \$28,000,000 in 2007 and is currently owned by a large, national life insurance company. In a joint venture with a national developer, their plan is to redevelop the site to significantly increase its value. The property was appraised in December of 2010 for \$10,000,000 by an MAI appraiser. This appraisal carries the assumption that an additional half acre of land separating the two parcels will be vacated and deeded to the borrower. This process is already underway and it is believed that there is a very high probability of its occurrence at this time. Once complete, the subject property would then be nearly 3 contiguous acres of waterfront property.

There are currently three buildings on the subject property whose condition range from average to fair, but it is not believed that they add any value to the subject property at this time:

1. Three-story, retail building with 18,044 square feet
2. Two-story, office building with 1,680 square feet
3. One-story, wood-frame building with 364 square feet

The frontage along the Intercoastal Waterway is improved with a seawall and an operating marina with approximately 885 feet of linear dock footage and 24 boat slips.



Loan Details

Loan Structure – Staged Funding

The new MMG Capital Loan will have a term of 16 months and will be funded in three separate tranches to ensure that acceptable progress is being made on the redevelopment of the site and preparation for the funding of a construction loan from another lending institution. The tranches will be available to the borrower in the following manner:

1. Tranche 1 - \$610,000

The first tranche will be utilized to pay all closing costs and fees associated with closing the MMG Capital Loan. The remaining funds will be used to reimburse the borrower for approximately \$500,000 in delinquent real estate taxes that were recently paid.

2. Tranche 2 - \$450,000

The second tranche will be funded over the course of several months as the project is being redeveloped. Funds will only be disbursed for agreed upon uses as determined in the Loan Agreement and will be paid directly to third parties for improvement to the site and to the project as a whole.

The first and second tranche represent the entire agreed upon MMG Capital Loan of \$1,060,000. The borrower will provide the collateral previously outlined for this loan and will be responsible for moving the project forward in a timely manner and acquiring the deed to the additional ½ acre and adding it to MMG Capital's collateral package. At this time, the value of the collateral will be greatly enhanced.

At the time that the ½ acre is added to the project as additional collateral, the borrower may request an additional \$500,000. However, MMG Capital is under absolutely no obligation to extend these additional funds and can, at its own discretion, deny this request for any reason. It has been agreed that should MMG Capital choose not to fund the additional \$500,000 to the borrower at this time that it will release the 2nd mortgage on the Washington State collateral. MMG Capital has agreed to this because the additional ½ acre parcel will be more than adequate substitute collateral for the Washington State property. In the event that MMG Capital elects to fund the third tranche of \$500,000 it would retain all of the collateral.

3. Tranche 3 - \$500,000

The third tranche will be used primarily for cost associated with the MMG Capital Loan including paying accrued interest, loan fees, and satisfying any currently due real estate taxes. The borrower will not be given any available proceeds from the third tranche and all monies will be utilized for costs associated with the loan or costs for advancing the project.

Providing the MMG Capital Loan in this fashion will ensure that at no point during the loan process will credit be extended without sufficient collateral present to secure the loan balance.

Impound accounts will be set up for the payment of all real estate taxes and insurance for the duration of the MMG Capital Loan. Interest will be paid monthly, primarily from an interest reserve that will be funded for the borrower. However, MMG Capital has agreed to accrue the first 90 days of interest from the time of loan closing should there not be sufficient capital in Tranche 1 or 2 to cover an interest reserve. Doing so does not increase the lender's exposure by a significant amount and allows the borrower to allocate all available funds towards vacating the additional ½ acre parcel and adding it to the lender's collateral.

Rate and Term

The MMG Capital Loan will carry an interest rate of fifteen (15%) percent and all payments will be for interest only. Investors who participate in the Pompano Beach Investment Program will receive a thirteen (13%) percent annualized pass-through interest return for the duration of the loan, but are unlikely to receive interest payments within the first 90 days of the loan because of the agreed upon interest accrual. Any proceeds from the third tranche will first be used to pay all accrued interest at the time of its funding. Otherwise, should MMG Capital elect to not fund the third tranche, the borrower will then be responsible for making monthly payments. MMG Capital LLC will receive two percent (2%) as an annualized fee for servicing the loan.

More Information:

For more information about this investment opportunity, please contact Chris Gleason.

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