Bailout Funding

Hello,

My name is Tod Snodgrass, with Creative Transaction Funding (CTF). Welcome to CTF's Bailout Funding (BOF) Program.

I. Are you an experienced Real Estate Investor Professional (REI Pro)?

II. You need funding for:

A. Pure Bailout:

1. You Need funding for a relatively short period of time to help solve a temporary financial problem or for the horizontal-only portion of a new build or pull a property out of probate that still has a mortgage balance due, etc. There is no actual profit available at this time, you just need funds to solve the immediate problem. Here, CTF takes a 50% markup x the funded amount since there is no profit to split on a joint venture basis, after deducting all costs.

2. You have already worked out an appropriate exit strategy to pay off CTF in six months or less, i.e. you already have prior approval for a DSCR, construction, private financing or equivalent loan to take CTF out of the deal in six months or less, or equivalent funding.

B. Investment. You have identified a very unique and highly profitable, short-term investment opportunity, etc. Here, CTF and the REI Pro split the profit 50%/50%, in six months or less, after deducting all costs.

III. CTF limits its funding to NOO (Non-Owner-Occupied) properties. We do not offer funding for situations that include or involve OO (Owner-Occupied) properties.

IV. CTF's BOF Program is like hard money, but with one important distinction: CTF does not offer loans. Instead, CTF offers Joint Ventures (JVs), a form of equity.

A. REI Pro brings a funding request that meets CTF's normal BOF criteria

B. CTF brings the funds to make it happen. We are direct providers of financing to real estate investors.

C. CTF covers all deal-related expenses. That means the investor incurs no out-of-pocket costs.

D. To reiterate, CTF funds deals that fall into one of two separate categories:

1. Pure bailout, where there is no obvious or available profit, CTF provides the funding and the REI Pro agrees—as part of the JV Agreement—to reward CTF with a 50% markup. This usually occurs where the REI Pro either owns or controls the property that needs a bailout.

Example: CTF provides $200,000, all costs = $20,000. Total = $220,000 ($200,000 + $20,000). 50% markup = $110,000 (50% x $220,000). Total due to CTF = $330,000 ($220,000 + $110,000).

2. Investment, where there is the opportunity to earn a profit, CTF provides the funding and the REI Pro agrees—as part of the JV Agreement—to split the profits with CTF, on a 50%/50% joint venture basis.

This usually occurs where the REI PRO does not currently own or control the property and needs CTF's funds to make it all happen.

Example: CTF provides $350,000 for an investment, which covers all costs. The selling price = $500,000. Net profit = $150,000 ($500,000-$350,000) or $75,000 to the REI Pro and $75,000 to CTF.

E. At closing, leaves with a first position note for the full amount due as its share. The REI Pro leaves with their profit or equity depending on the structure of the deal.

F. Supposing a REI Pro has a situation that does not meet CTF's normal criteria…but it is still worth doing? Potential alternatives, to make up the difference could include (assuming CTF agrees):

1. The REI Pro:

a. Brings sufficient money to make up for the shortfall, out of their own pocket.

b. Can cross-collateralize off another property they own free and clear.

c. Is willing to provide CTF with more than a 50% markup or 50% profit split.

V. CTF's "sweet spot":

A. Funding amounts

1. From $50,000 to $500,000.

2. We are open to smaller and larger amounts, for funding requests that are really right

B. LTV (Loan To After Repair Value--ARV) should be 70% or less.

C. Term: Six Months or less

D. Security: A first position note with no prepayment penalty, 9.9% simple interest

VI. Features & Benefits

A. CTF normally limits its funding to:

1. REI Pros who can demonstrate that they have proven experience in this industry.

2. The REI Pro can provide:

a. Current appraisal confirming the current FMV and ARV

b. Title Report showing clean title

B. CTF's funding is to be used for a relatively short period of time. i.e. six months or less.

VII. Explanation, Details

A. CTF does not charge any upfront or origination fees.

B. CTF's funding is available nationwide.

C. CTF is happy to pay a 2% referral fee with full account protection on the purchase price of the property.

D. To reiterate:

1. All funding-related expenses are paid by CTF, including: title and related closing (escrow) expenses (including preparation of a promissory note) title insurance, recording all docs, initial document preparation by a Professional Document Preparer (PDP) and/or a Transaction Coordinator (TC), etc. The result of all this is a full and complete package that meets all the requirements of CTF's underwriters and investors, prior to funding.

2. The BOF program functions as a Joint Venture Agreement (JVA) between CTF's LLC or designated trust account at CTF's sole discretion, and the REI Pro's business entity (LLC or Corp.). Closing Instructions, etc. are also provided by CTF that support the JVA as well.

E. Once escrow has closed on the BOF funding, the JVA between the REI Pro and CTF is dissolved.

F. CTF's exit strategy at closing: CTF leaves with a six-month, 9.9% simple (annual) interest, business-to-business, non-recourse, commercial promissory note, with no prepayment penalty, interest is payable monthly by the REI Pro to the holder of the note. Simply put, CTF monetizes the (JV) equity into a commercial note (debt).

G. At the initial close, an accounting is prepared detailing the anticipated:

1. Gross profit

2. All the expenses involved, which may include, but are not limited to:

a. Deal related expenses: closing costs (escrow and title fees), document preparation, etc.

b. Interest only payments: 9.9% annual simple interest rate = 4.95% for 6 months for both the first and second position notes. CTF is willing to cover these costs as well, again assuming the deal meets our standard criteria.

e. An 8% discount off the face value of the first position note that CTF takes back. These modest discounts off face value are necessary for CTF to be able to sell the notes quickly in the secondary note marketplace, then subsequently recycle our investment capital to be able fund your next deal, for example.

H. The REI Pro must have a previously worked out exit strategy: Already arranged financing to completely pay off CTF in six months or less.

I. Once the initial funding escrow closes:

1. CTF is no longer involved.

2. Once CTF departs with a commercial note, that effectively ends CTF's direct involvement with the REI Pro.

J. CTF will supply the text for the JVA, closing instructions and promissory note, and other documents as required, etc. It is the job of a PDF and/or TC (that CTF retains, and the REI Pro pays for), to then oversee all the final documents that will eventually go to the closing agent.

K. CTF normally assigns (sells) the note we receive at closing, at a discount to the face value of note that secures the funding CTF provided. As a result, CTF reserves the right, at any time and without restriction (for any notes they take possession of), to pre-sell, assign (sell), hypothecate (borrow against) or pledge the deed and note from this transaction to any other party of its choosing, and the note will be assigned without recourse.

L. There must be a minimum of $12,500 markup for CTF in any fundings we undertake.

M. When we are funding the horizontal portion of a new build, please note that if the collateral being offered to secure the deal is raw dirt, we provide funding based on no more than 10% of the current fair market value of the land, confirmed by a current appraisal. For example, if the land appraises at $1,000,000, then we can fund up to $100,000 (10% x $1,000,000).

N. Funding and operational details

1. CTF normally runs the (wire transfer) funding for all funding requests through our LLC, however the final decision about whether we opt to fund via CTF's LLC or from CTF's funding arm, The Edith Capps Trust (TECT), is at CTF's sole discretion. CTF (again, at its sole discretion) may assign all responsibility for any funding project to TECT.

2. TECT (or its funding designee) wire transfers the funds needed by the REI Pro into escrow, when we are instructed to do so by the closing agent.

VIII. <u>Deal Work-Up Form</u>, generic example

A. What follows are details for a <u>generic</u> JV funding request where CTF's funding includes paying off a small balance on the current mortgage so that CTF is in first position + payback of all costs. Total face value of the note $600,000, due in six months or less, with a 9.9% simple interest rate.

B. Once CTF has committed to finance an approved funding request, here is how the process unfolds, broken down as follows:

1. Funded amount:			$400,000
2. Balance due (on old loan)		$ 20,000	
3. Funds you need		$300,000	
4. Expenses:**			
a. REI Pro interest to be paid over six months, first position note, 4.95% x $600,000	$ 29,700		
b. Note discount, 8% x $600,000, CTF must pay to quickly sell the first position note	$ 48,000		

c. Paperwork preparation, closing costs, attorney's fees, etc.	$ 2,300		
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d. Total costs paid by CTF		$ 80,000	

Total			$400,000
50% Markup (Pure bailout) or 50% Profit (Investment)			$200,000
Total, Face Value 1st Position Note			-----------
			$600,000

**Total costs equaled, in this example, about 13.33% of the selling price ($80,000/$600,000). Try to keep total costs at or below 13.33% to be safe in most cases.

C. At closing, CTF leaves with a $600,000 mortgage note.

D. To reiterate, if the REI Pro's situation does not meet CTF's normal funding criteria, potential alternatives to CTF putting up all the Bailout funding is for the REI Pro to make up the difference, which could include (assuming CTF agrees) the REI Pro:

1. Brings sufficient money to make up for the shortfall, out of their own pocket.

2. Can cross-collateralize off another property they own free and clear.

3. Is willing to provide CTF with more than a 50% markup or 50% profit split, say 55% or 60%.

IX. Referrals

CTF is happy to offer:

A. To pay you a 2 percent referral fee, based on the purchase price of the property in question. For example, if the purchase price is $250,000: 2% x $250,000 = $5,000 paid to the referrer at closing.

For secondary referrals, CTF is happy to pay 1/2-percent; for tertiary (third and subsequent generation referrals, CTF is happy to pay 1/4-percent).

B. Full account protection and referral fees in perpetuity.

C. Free info pack. If you would like CTF to send a Deal Work Up Form, Instructions, etc. about this program to someone else, please EMAIL their information to: creativetransactionfunding@gmail.com.

1. Name
2. Phone number

3. Email address

Thank you!

Sincerely,

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