



DOWNEAST

PRIVATE LENDING

Deploying Experience, Resources and Strategic Capital for Real Estate Financing

Downeast Private Lending Fund I, LLC

March 18, 2019

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Executive Summary

<p>Downeast Private Lending Fund I, LLC</p>	<ul style="list-style-type: none"> • Massachusetts-based, private joint-venture lender for real estate transactions throughout Greater Boston, Boston's North Shore and Coastal New Hampshire • Focused on unique financing needs of real estate developers and other investors • Proposed \$20 million fund with 3-year term • Asset-backed investment vehicle designed to have low risk and consistent target returns • 8% Preferred return to investors before Manager's carried interest
<p>Investment Strategy</p>	<ul style="list-style-type: none"> • The Fund will primarily make first mortgage loans to developers who are renovating or building residential properties to cover acquisition and construction costs • Loans may also be sold in the secondary market if conditions are advantageous
<p>Market Opportunity</p>	<ul style="list-style-type: none"> • Greater Boston, Boston's North Shore and Coastal New Hampshire • Economic pressures are expected to keep increasing the need for renovated and new housing, as well as market values
<p>Manager Experience</p>	<ul style="list-style-type: none"> • Experienced real estate development, permitting and legal professionals with a combined 50+ years in the industry • Strong underwriting experience and a deep knowledge of the real estate market • Broad industry network utilized for sourcing transactions and developing consortiums • Over \$20 million invested through our partners, projects and investors in properties valued at over \$30 million
<p>Investor Qualifications</p>	<ul style="list-style-type: none"> • Limited to "accredited investors" • \$50,000 minimum investment

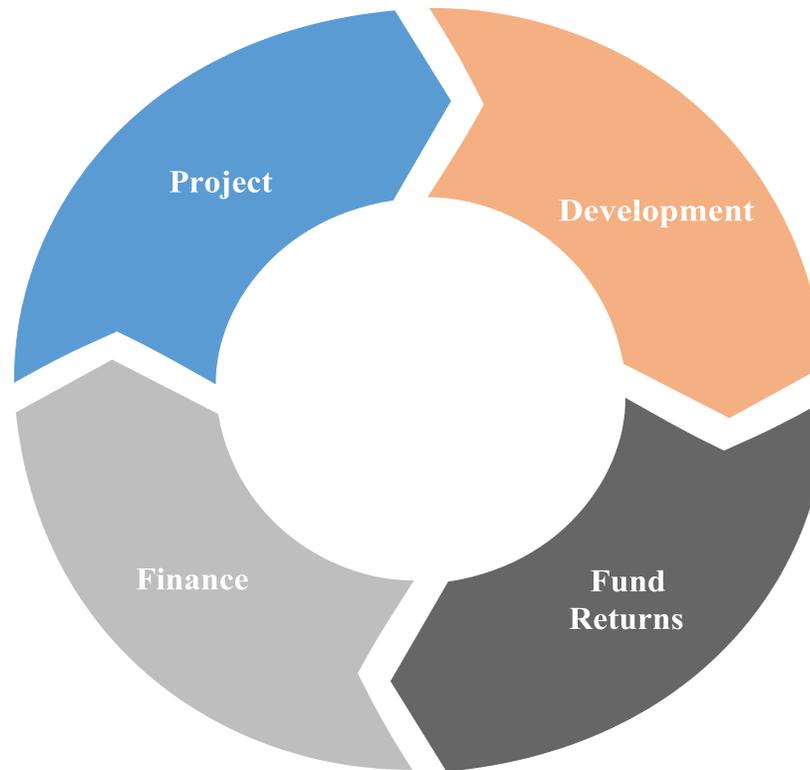
Investment Strategy

• Targets:

- Real estate projects with foreseeable completion and repayment dates
- Loan to value of 60-70% to minimize risk
- First priority lien position

• **Stable and predictable cash flow**

- Attractive operating leverage
- Shorter investment periods reduce risk of market changes
- Principal repayments reinvested in new loans during Fund's investment period



Experienced partners who:

- are immersed in and understand real estate development
- provide a range of services to support the borrowers and enhance project success

- **Total return** focused strategy
- Targeting 8% return annually

New England focused debt financing strategy in a high volume sector

Value-Added Approach

The principals of the Manager typically provide substantial additional value to the projects in which the Fund invests, including performing many of the following services:

Development	During Construction	Risk Management	Financial Advisory
Careful partner and project selection and rigorous bid preparation to maximize chances of winning and to increase likelihood of project success	Monitor pre-identified risks, maintain strong partnerships with local contractors and subcontractors, seek to resolve issues before they become problems	Optimize project structure and incentives to provide timely completion and lower costs	Arranging and coordinating loan closings
Professional design consultation, site plans, floor plans, architectural layouts, finishes, condo documents and marketing plans	Project oversight, including inspection of contracts, budgets, construction draws, coordination of closings	Site inspections for all “draw” requests	Leverage relationships with market leading financial institutions to facilitate any necessary refinancing and monetization of each investment
Zoning consulting and strategy; project permitting and related professional services	Budget and change order review	Deal coordination, including payment, collections and accounting oversight	

Market Opportunity

- The Fund's geographic area of principal focus (Greater Boston, Boston's North Shore and Coastal New Hampshire) continues to see a high volume of renovations, as well as new construction. Market values are projected to continue to increase.
- The market is not concentrated; the Manager estimates that there are over 1,000 real estate developers in the Fund's focus area engaged in projects that meet the Fund's investment criteria.
- The Manager estimates that \$250 million of first priority mortgage funding will be needed by these developers within the next five years.
- The Downeast team has strong relationships with a large network of developers, investors, lenders, brokers, contractors, attorneys, and other professionals from which to source investments for the Fund, as well as to enhance the likelihood of successful developments.
- Although the rates for real estate loans made by private, non-bank lenders such as the Fund are generally higher than for typical bank loans (often ranging from 10% to 14%), such loans are popular for their fast approvals, higher flexibility, and less tedious documentation procedures. They are, at times, the only option for a developer to secure time-sensitive, opportunity-driven funding.

Manager's Investment Experience¹

The following are representative of the projects for which the Downeast principals have arranged financing and to which they have provided a range of value-added services:

- **Salisbury, MA**
Loan Amount: \$140,000 purchase; \$350,000 Construction
Interest Rate: 8%
Time loan outstanding: 15 months
- **Newburyport, MA**
Loan Amount: \$355,000 purchase; \$425,000 Construction
Interest Rate: 12%
Time loan outstanding: 11 months
- **Cambridge, MA**
Loan Amount: \$765,000 purchase; \$225,000 Construction
Interest Rate: 11%
Time loan outstanding: 17 months

¹Past performance is no guarantee of future results. Circumstances, including but not limited to the key risk factors described in this presentation, may prevent actual results of the Fund from achieving the goals and target returns envisioned by Downeast.

Downeast Biographies



Damon Amato | Co-Founder, Downeast Design Consultants Business Development/Loan Coordinator

Damon has 11 years' experience as a real estate developer and investor. He understands what is needed to succeed in the real estate market and is able to quickly and efficiently assess any proposal. Damon monitors the markets, involving millions of dollars in real estate capital at any one time, and seeks to ensure that each investment is on par for value and leverage so that returns remain steady.



Benjamin Legare | Co-Founder, Downeast Design Consultants | Building, Construction & Design

Ben Legare has spent over a decade in the real estate design, building, investing and development trade. With a Masters Degree in Architecture and experience flipping more than fifty properties, Ben has been through a wide variety of situations including conservation, new construction, total guts, zoning board of appeals, and raw land. He has the vision to properly finish a property, as well as expertise as a stager and photographer to help prepare a property to hit the market.

Key Takeaways

- Deep, experienced team
- Partner of choice in real estate transactions across the Fund's market area, with a strong reputation in the market
- Growing and attractive market dynamics, requiring significant debt financing
- Well positioned to deploy financing quickly, considering anticipated robust pipeline
- Value-add by providing substantial, productive services to developers/borrowers

Selected Key Risk Factors²

- **Risks of Investing in Real Estate and Real Estate-Related Investments.** Investments in real estate-related investments, including loans secured by real estate assets, are subject to various risks, including adverse changes in national or international economic conditions, local market conditions, interest rates, environmental laws and regulations, zoning laws, and other governmental rules and fiscal policies, energy prices, the financial conditions of tenants, buyers, and sellers of properties, real estate tax rates and other operating expenses, oversupply of or a reduction in demand for certain property types, and the availability of certain construction materials, as well as risks due to dependence on cash flow, acts of God, uninsurable losses and other factors which are beyond the control of the Manager or the Fund.
- Real estate loans may be or become non-performing after acquisition for a wide variety of reasons. Non-performing real estate loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial write-down of such loan or a loss of a substantial amount, or all, of the expected interest flows, which may be affected by any specific limits to legal and financial recourse upon a default under the terms of the loan. Even if a real estate loan is performing as expected, a risk exists that, upon maturity of financing, replacement “takeout” financing will not be available or will not be available on attractive terms. It is possible that the Fund would find it necessary or desirable to foreclose on some of the collateral securing one or more debt investments, and the foreclosure process can be lengthy and expensive and may disrupt ongoing cash flows of the property, impairing the value of the collateral under the loan.

²These are not the only risks involved with an investment in the Fund. Prospective investors should carefully review the Risk Factors described in the CIM.

Selected Key Risk Factors (con't)

- **Lack of Diversification.** The Fund's investments will focus solely on real estate developments undertaken by other parties and will not be diversified, which will make it difficult to respond to unfavorable economic conditions in this sector.
- **Credit Risks.** The Fund's investments will lose value if the borrower is unable or unwilling, for whatever reason, to make timely principal and/or interest payments, or to otherwise honor its obligations.
- **Lack of Liquidity of Investments.** There will be no public market for most of the investments held by the Fund, and the Fund generally will not be able to sell its investments publicly. In some cases the Fund may be prohibited by contract from selling investments for a period of time. In addition, the types of investments held by the Fund may be such that they require substantial time to liquidate, and/or the Fund may need have to liquidate certain investments at less than their expected returns, thereby resulting in lower realized proceeds to the Fund.

For Further Information, Please Contact:

Damon Amato

(508) 873-7230

info@DownEastPrivateLending.com

Ben Legare

(603) 490-5085

info@DownEastPrivateLending.com