Advantage Private Capital, LLC

Seeking Double-Digit Yields
Secured by Real Estate

Advantage Private Capital, LLC
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Table of Contents

Advantage Private Capital, LLC was formed to be a nationwide principal buyer of **1st lien** performing and non-performing real estate mortgage notes and REOs (Real Estate Owned by financial institutions such as banks and mortgage lenders.). We have assembled a team of professionals whose main focus is to quickly assemble and close each transaction. We work with Note Buyers and Sellers who have done over 11,000 real estate note deals through a combination of both **single and bulk** transactions.

Connie Ziegler-Wyers and Dennis Wyers have long been involved in may areas of real estate and real estate investing. We have successful experience in buying, selling, rehabbing, construction and remodeling real estate. We have extensive experience in the mortgage industry as well working for residential and commercial mortgage companies. . Connie has hosted literally hundreds of real estate trainings and webinars on various real estate and financial topics.

We attribute our success to the fact that we really do endeavor to provide excellent service to our funders and to sellers with creativity and persistence in problem solving.

At this time, we are focused on distressed real estate debt, specializing in Non-Performing and Performing debt (Mortgage Notes) and REOs (Real Estate Owned by financial institutions such as banks and mortgage lenders.)

Advantage Private Capital seeks high yields secured by real estate. Advantage Private Capital invests in 1st lien, residential and commercial notes, mortgages and trust deeds& REOs. Advantage Private Capital seeks outsized returns and **high margins of safety** by **acquiring deeply discounted notes**. Although deep discounts can sometimes be found in performing loans, Advantage Private Capital specializes in non-performing loans that can be acquired for $.40-$.60 on the dollar from banks, private equity funds and individual lenders in distressed situations.

After acquiring the loans, Advantage Private Capital can then employ multiple exit strategies including:

- Loan Modification and holding for high-yield, passive income
- Loan Modification and reselling loans to performing-note buyers
- Loan Modification and refinancing out
- Short Sale
- Deed-in-lieu and flip
- Deed-in-lieu, rehabbing and flip
- Deed-in-lieu, rehabbing and rent
- Foreclose and selling at Trustees Sale
- Foreclose and flip
- Foreclose, rehabbing and flip
- Foreclose, rehabbing and rent
- We prefer to foreclose only on vacant properties

Investments made by **Advantage Private Capital** are not only geared to provide a solid financial return, but to also provide a social benefit.

As a result of the 2008 financial crises, millions of Americans found themselves underwater on their mortgages. Banks were overwhelmed with the sheer number of defaults and were unprepared to process the staggering number of requests for modifications, short sales or forbearances. Many requests could take months and even years to process. When **Advantage Private Capital** acquires a non-performing loan, it immediately begins the process of borrower outreach and resolution. Unlike many banks with layers of bureaucracy, committees and strict guidelines, **Advantage Private Capital** works with a small team of workout specialists providing personal attention to borrowers with a multitude of creative and flexible solutions.

Once a loan is acquired, it can have a positive ripple effect on the banks, borrowers and communities. The banks eliminate bad debt and free up capital to relend, the borrowers experience relief and a renewed outlook, properties are improved and property values increase. Taxing agencies receive income again, and the overall economy benefits.

In Summary, Our Solutions Help:

- **Investors/ Funders earn high** yields **secured** by real estate
- Borrowers obtain debt relief
- Banks offload troubled assets and improve liquidity
- Distressed assets re-perform
- Communities revitalize
- Municipalities increase tax revenue
- Economies stabilize

Advantage Private Capital acquires real estate mortgages commonly referred to as "scratch and dent, and non-performing loans (NPL). Scratch and dent mortgages and NPL's are loans that fall outside the parameters of customary originator underwriting guidelines or performance expectations. While the majority of scratch and dent loans are performing, they may also be either re-performing, non-performing or sub-performing. By investing in these mortgages, **Advantage Private Capital** seeks to achieve returns that exceed those produced by investing in more traditional asset classes. **Advantage Private Capital** invests primarily in the following:

- **First lien mortgages:** Advantage Private Capital invests in first lien mortgages issued throughout the U.S., including residential and commercial mortgages with a core emphasis **residential loans**. Residential mortgages will range in size from $20,000 to $400,000.00. We also can invest in **large portfolios** in the $3-5 $3-5 Million range.
- **Second lien mortgages:** These loans will be considered for investment on a case by case basis, given that they can require a more significant allocation of capital. In the case of a second lien mortgage, additional expense is incurred as it is frequently necessary to buy out the first position lien holder in order to protect the investor's position in the second mortgage.

The Secondary Mortgage Market

Mortgages are originated in the primary market, where home buyers obtain loans from banks, credit unions or other financial institutions. Most lenders pool the loans they have originated and sell these pools in order to generate funds for continued lending. The secondary mortgage market is a $570 billion industry in which all types of mortgage loans, prime, sub-prime, conforming and non-conforming, are sold to investors, occasionally individually but most commonly in pools that aggregate multiple mortgages.

Buyers of loans in the secondary mortgage market include large institutions as well as smaller investment funds and other professional investors who specialize in mortgage investing. Many large institutional investors repackage mortgages into mortgage-backed securities (MBS) that are in turn sold to other investors. Investors may also purchase loans to hold to maturity in a loan portfolio or produce cash flows that will offset other future liabilities.

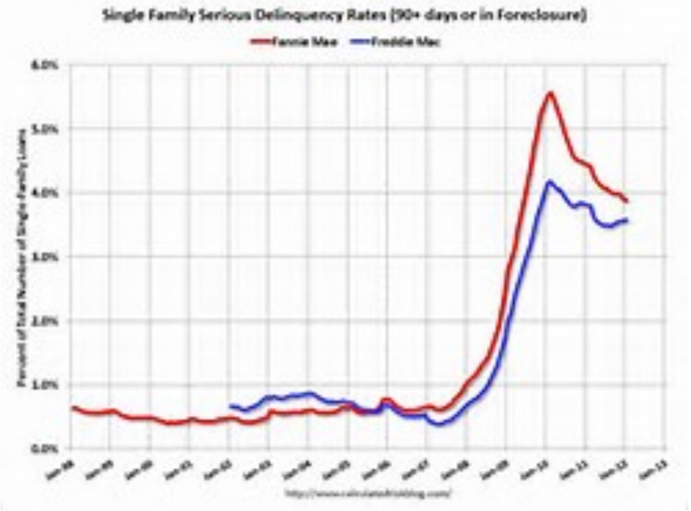
Investors can purchase non-performing "scratch and dent" loans at prices significantly below the mortgage outstanding balances otherwise known as "the UPB". The investor can then rehabilitate the loans or foreclose on the property, thus generating an attractive return on the original investment. This is our the primary goal.

"Scratch and Dent" Mortgages-

Many of the mortgages that fall into the scratch and dent segment are originated in the sub-prime sector of the mortgage market. While the definition of sub prime varies among institutions, sub-prime borrowers typically have lower credit scores, credit histories that may include late payments, foreclosures, bankruptcies, high debt-to-income ratios or other negative characteristics. When economic and financial pressures mount, these borrowers are more likely to encounter difficulty remaining current on mortgage payments.

Fueled by record low interest rates and a burgeoning residential real estate market, homebuyers took on mortgage debt at a feverish pace from 2003 to 2007.

According to data from the Office of Federal Housing Enterprise Oversight (OFHEO), outstanding single-family mortgages totaled $4.8 trillion at the end of 2000. By the third quarter of 2013, the figure had reached $10.4 trillion. Of this total, adjustable rate mortgages (ARMs) constituted 20%, or $1.87 billion.

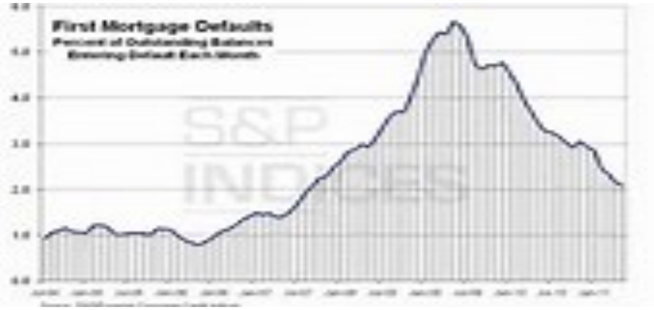


Non-Performing Mortgages- Adjustable Rate

Adjustable rate mortgages allow borrowers to take advantage of lower initial interest rates, with payments that are periodically reset based on an index-linked interest rate. Typically, the interest rate and monthly payments change on a predetermined basis, often as every year. These types of mortgages have been extremely popular in the sub-prime segment of the mortgage market. When interest rates adjust upward, many borrowers, particularly sub-prime borrowers, face unpleasant surprises as their monthly mortgage payments increase dramatically.

For borrowers who are already stretched thin, substantial increases in the monthly mortgage payment can compromise their ability to pay, particularly when combined with other economic pressures such as high debt levels and low incomes. Even for borrowers holding fixed rate mortgages, increasing economic pressures have a negative impact on their ability to make mortgage payments.

The effects of rising interest rates, high debt loads and a deteriorating housing market precipitated a marked increase in home loan delinquencies. According to the Mortgage Banker's Association, delinquencies swelled to a 2 ½ year high at the end of 2005 and continued to rise every year through 2012. Even with rising housing prices. As of Dec. 2013 there were over $215 Billion in 1st lien shadow inventory sitting on the books of over 3600+ US banks. In earlier market conditions, it was all too easy for borrowers to purchase homes they couldn't afford. Lenders, lulled by low interest rates and a hot housing market, lowered standards precipitously and have consequently seen the volume of troubled loans exceed expectations.



This market environment has created significant opportunity for Advantage Private Capital and our funders, as the majority of our investments will be made in residential mortgages that are in or nearing foreclosure. For each loan purchased, we will have the option to renegotiate terms with the borrower and return the loan to current status or continue with the foreclosure process. Should Management choose to go forward with foreclosure, the loan is typically collateralized by property valued at significantly more than the purchase price of the loan, thus generating value. The risk to the our investors **is reduced** since the **loans are collateralized by low LTV and low ITV (investment to value) on the properties.**

Non-Conforming Mortgages

Many mortgages become available for purchase due to failure to comply with underwriting guidelines. When mortgages fail to comply with underwriting standards, the originating lender is unable to sell off the loan through standard exit strategies. Non-compliance does not necessarily indicate that the loan is of poor quality, but rather that the lender's in-house underwriter failed to ensure that the loan met **all** stated lending guidelines. Loans may be categorized as non-conforming for many reasons: some form of documentation may have been omitted, the incorrect interest rate was assigned, or the loan was made for a second residence when only a primary residence mortgage was acceptable. A borrower may have missed putting their initials on a page. Investment in a non-conforming loan may carry fewer risks, as the borrower is very likely to have maintained an acceptable payment history. Non-conforming mortgages are less likely to be purchased at a steep discount.

Relationships with Mortgage Originators and Asset Management Firms.

The Advantage Private Capital, by aggregating a significant pool of capital with extensive mortgage market experience and sophisticated analytical capabilities, can offer a timely response to lenders wishing to dispose of non-performing and/or non- conforming mortgages.

Management has developed strong relationships with a number of national mortgage lenders and regularly receives notification of available pools of mortgages with unpaid principal balances (UPBs).

These relationships ensure a strong and consistent pipeline of potential investments. By combining sophisticated analytical capabilities with the purchasing power afforded by significant capitalization, we are able to guarantee lenders attractive pricing and speed in closing transactions.

The Investment Process

The process of investing in a pool of mortgages or single mortgage investment typically takes around 7 to 30 days from the time an asset / pool is made available by the seller.

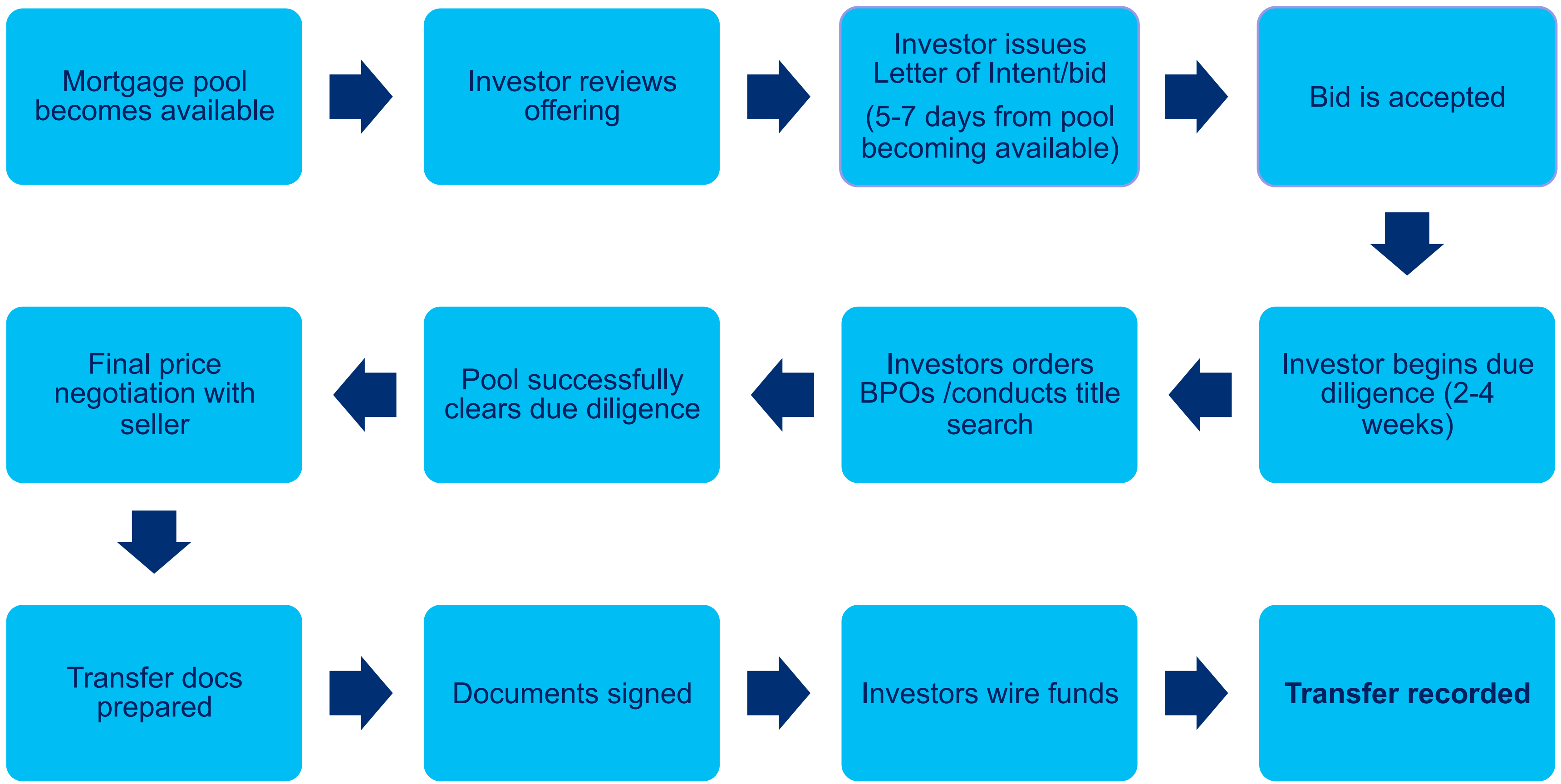
Management places a bid on the pool, based on careful analysis of the mortgages included. Once the bid is accepted by the seller, Management undertakes a rigorous due diligence process incorporating a detailed review of the characteristics of each mortgage. In the case of large pools of a 100+ loans, due diligence may be conducted on site at the seller's location to ensure that each loan file is reviewed thoroughly and in its entirety.

Loan characteristics of primary interest during the due diligence process include property type and value, an accurate legal description of the property, clear title and the existence of unpaid taxes or other liens. Taxes must be current on every property, and in the event that unpaid taxes exist, the amount of the tax liability can be subtracted from the bid.

Typically, a period of representations and warrants is agreed upon by the buyer and seller. During this period, which extends anywhere from 3 to 12 months, the seller agrees to buy back any mortgage that a title search reveals to have unpaid taxes or other obligations outstanding or lacks the enforceability factor.

Once the due diligence and title search has been completed, transfer documents are prepared and closing typically is effected through a title company or the seller's attorney.

The Investment Process



Evaluating Mortgages for Purchase

Loans are typically aggregated and sold in pools, which may contain various types of mortgages ranging from first lien residential mortgages to second lien, non-conforming and commercial mortgages. Pools that offer a more homogenous aggregation of loans are more attractive since investors are not saddled with loans outside their areas of interest. Sellers frequently aggregate loans into homogenous pools to enhance pricing, although approximately 60% of the available mortgage supply continues to be aggregated in heterogeneous pools containing residential and commercial mortgages as well as home equity lines of credit.

Pools are evaluated and priced based predominantly on location and the average loan to value (LTV) ratio. The LTV is the principal determinant of the pool's price. For example, a pool with a 95% loan to value ratio would sell at a lower price than a pool with an 80% LTV. A lower ratio affords more opportunity for recovery and offers greater upside potential. Broker price opinions (BPO) are also taken into consideration when evaluating loan pools.

A BPO, also called a comparative market analysis, is a method of appraisal in which the selling price of comparable properties is used as a basis for estimating value. In most cases, the seller will have already obtained a broker price opinion. Although an existing BPO can facilitate the initial review process, the our management prefers to obtain a second BPO on every mortgage purchased. Since a broker price opinion is less formal than a more complex valuation, BPOs tend to be lower than a property's true value. This discrepancy frequently favors the investor (us).

In evaluating a second lien mortgage, the general rule of thumb is that the first lien should be no more than 3 times the value of the second lien. Typically, second lien pools have a very high combined loan to value (CLTV). CLTV is defined as the aggregate principal balances of all mortgages on a property divided by the property's value. A high CLTV ratio makes a loan inexpensive to purchase but very expensive to hold given that there will be likely be more management involved in rehabilitation, and there is a greater probability of foreclosure.

Multiple Sources of Revenue

Investment in scratch and dent mortgage loans generates multiple income streams.

Capital Appreciation:

Rehabilitated mortgages can be resold to other investors for a profit, thus allowing the investor / Fund to generate a return through appreciation in price. In instances where a mortgage cannot be rehabilitated, foreclosure can result in ownership of a property that significantly exceeds the purchase price of the mortgage, also resulting in an attractive return on the initial investment. Based on industry averages, Management estimates that 30-40% of loans will end in foreclosure.

Mortgage Interest Income:

Management will work with borrowers of an occupied house to rehabilitate the non-performing mortgages and return the loan to current status. While federally insured lenders such as banks and credit unions are limited in their flexibility due to federal guidelines, private investors such as the Advantage Private Capital are free to make any repayment arrangements they consider appropriate. In the case of loans with significant arrears, Management may choose to add fees and arrears to the loan balance and modify the mortgage to create a new payment plan. By working with borrowers to restructure their obligations, Management can create a steady stream of interest income and principal repayment. Non-conforming loans, typically current in payments, can also be held to collect interest income.

Prepayment Penalties:

Some loans will contain a prepayment penalty provision equal to [3%] of the original loan value, collected as the loan is paid off over its lifetime. Some loans will yield this income, unless Management chooses to resell the loan before maturity, in which case prepayment penalties will be transferable to the loan purchaser.

Set-up, Collection Fees and Late Fees:

The borrower will be charged a set-up fee and a monthly collection fee. Late fees will apply if monthly payments are not received on time. These fees, however, will be received by a third-party loan servicing company and are not included in our pro forma projections for the investor.

Cost of Acquisition and Administration

A number of costs are associated with the investment process as well as the management of the single asset or loan portfolio. The basic cost for each loan is outlined below.

Cost of Acquisition:

- Legal: $400 - $800 per loan Recording: $50 per loan
- Document costs: approximately $200 per loan
- BPO: approximately $125 per loan
- Title Search: $150 per loan

Cost of Administration:

- Administrative Staff- Third Party: $4,000 monthly per 400 loans
- Postage/Shipping: $35 per loan
- Servicing: $25 set up fee, $15 per month per loan
- Blanket Property Insurance Policy: $300 per loan

Avoiding Default. Management believes that it is essential to work with borrowers to avoid default. In the event that a borrower chooses not to cooperate or prefers a foreclosure to wipe out liens, then Management would proceed to foreclose on the property. Although foreclosure has a potentially higher short term profit, it also carries the burden of additional administrative costs. It is in the best interests of the Advantage Private Capital and the borrower to agree on an equitable resolution.

As a measure to manage the Investors risk exposure, Management has the following options if a default should occur:

- Negotiating a workout with the borrower (preferred method)
- Encourage the borrower to deed in lieu of foreclosure
- Foreclosing on the property.

Under the second and third options, the Fund will acquire ownership of the property. Subsequent liquidation will generate proceeds greater than the defaulted loan balance.

In the instances whereby the house is already vacant when we purchase the Non-Performing Note, management will pursue the foreclosure thereby relieving the owner of their financial liability & burden of the property.

If the residential loans are non-owner-occupied, most RESPA and HOEPA regulations and many redemption rights allotted to homesteads do not apply.

Risk Management

Management will undertake a number of additional measures to manage and mitigate risk exposure.

- Advantage Private Capital will not invest in loans unless Management is prepared to assume ownership of the property and sell it at a profit.
- Extensive due diligence will be conducted **prior** to any investment
- If state foreclosure processes are onerous, we may own the property and grant the owner an option to buy.

Safeguards to Protect Funder Interests

We endeavor to make this a solid, safe and secure loan for our funders while also providing an excellent yield. Here are some of the safeguards put in place to protect our lenders:

Collateral

- **Solid Collateral** – Loans purchased are backed by real estate – many in appreciating markets. Loans are secured by collateral in the form of a first lien against the underlying property giving us the ability to step in and take control in the event of a default. Lender interests are secured by the proper security instrument recorded with the county recorder – usually in the form of an assignment – which provides the opportunity to essentially "step into our shoes" and take over control, if we were to default.

- **Low Loan-to-Value (LTV)** – – Loans are often purchased at discounts of 50% or more to current market value thereby providing a comfortable margin of safety. In a default situation for any reason, lenders could potentially have much larger returns.

- **Improving Market Conditions –** Although growing slower than hoped, the economy has still improved since 2009 and job growth is improving – primarily in the lower end of the wage scale, which is our target market. Property values have been rising, which can offer additional security with time.

Cash Flow

- **Cash Flow Coverage –** Our projected debt service ratio (annual net income divided by annual debt payment) of 1.70 is over 30% higher than what traditional banks require. There is expected to be plenty of incoming cash to make loan payments on Re-Performing and Non-Conforming loans.

- **Interest Income**: On vacant properties, interest income is typically paid upon foreclosure and sale of the property.

Safeguards to Protect Lender Interests…Continued

Vigilant Due Diligence

- **Property Due Diligence** – For each loan purchased, we do a comprehensive review of the market, demographics, crime rates, vacancy rates, employment, days on market, housing supply and a number of other metrics. To ensure an adequate market exists, we typically avoid rural areas unless they are within 30 miles of a major metro with a population of at least 100,000. We check for unpaid taxes, liens and other liabilities.

- **Title Insurance** – We will purchase, at our cost, and from a reputable title company, insurance to ensure clean, clear, undisputed title.

- **Liability & Hazard Insurance** – We will ensure that property owners - on loans we buy - have adequate insurance. If not, we will put into place insurance to protect the property from liability and casualty loss.

- **Third-Party Opinion of Value** – The value of the properties will be verified by independent, local, licensed brokers, using current property comparable and cap rates. Also, brokers will typically inspect the properties to determine occupancy status and condition.

Legal Safeguards

- **Use of Local Attorneys.** We will hire attorneys licensed in the states where the properties are- securing our loan acquisitions - to handle certain legal issues such as foreclosures, title chain review, contract reviews and such.

- **Funds Protected in Escrow** - Funds from you will be sent directly to an independent, third-party escrow with a reputable, company licensed, bonded, insured and in good standing with the Better Business Bureau. For the protection of our lenders, we will not accept funds directly.

Safeguards to Protect Funder Interests…Continued

Favorable Loan Terms

- **Short Term Loan** – Because most of the exit strategies on loans we purchase occur fairly quickly, our lenders are expected to be paid in full in one to five years. Properties held for rental income are expected to be refinanced with conventional financing once a stabilized rental history is established.
- **Vacant homes** will typically be promptly foreclosed, or we will obtain a deed in lieu of foreclosure, and then sold. Thereby the investor would receive their principle and interest in less than 1 year.
- **Solid Return** – Assuming a 7 to 8.5%, the yield to our lenders would be nearly 16 times what a typical bank is currently paying on a CD!
- **Poor Alternatives** – There are few opportunities to earn 7 to 8.5% interest these days. Many CDs are paying under .50%. Bond yields are at all-time lows. The stock market is the casino it has always been and remains unpredictable. Investors can not purchase insurance on stocks or bonds to mitigate risks.

Like anything, there are always inherent risks and no guarantees can be made against loss due to both foreseen and unforeseen events. That said, this is an exceptional opportunity to earn a secured 7- 8.5% yield secured by solid collateral.

Interest rates are determined prior to purchase and are agreed

upon by the Funderr and Advantage Private Capital managemer

Financing Loan Acquisitions- Portfolio of Loans

Loan purchases are expected to be financed through a combination of credit lines, private money and personal equity.

Typical Capital Stack	
Unpaid Principal Balance (UPB) Face Value of loans purchased	**$2,000,000.00**
Acquisition Costs $1,000,000.00	**50% of UPB**
Credit Facility $ 750,000.00	**75% of Acquisition Costs**
Private Money $ 125,000.00	**12.5% of Acquisition Cost**
Equity $ 125,000.00	**12.5% of Acquisition Cost**

Why are we buying Notes instead of the houses/ properties?

We can purchase Notes at steeper discounts and therefore offer higher yields to lenders!

Note Buyer Example:

The 1st lien note balance is:	$100,000.00
Current Market Value of the house is:	$85,000.00
We purchase the note for:	($35,000.00)
Holding and legal cost:	($3,000.00)
Total Cost is:	($38,000.00)
House sold at auction for:	$80,000.00

Note Profit is: $42,000.00 +/-

Not actual photo of this specific deal

We are we buying Notes instead of the houses/ properties?

We can purchase Notes at steeper discounts and therefore offer higher yields to lenders.

The House Flipper Example:

Current Market Value of the house is: $85,000.00

Rehabber purchases the house at auction: ($80,000.00)

I sold it to him in my example above.

That's 57% of **ARV** – Below what the GURU's teach nationwide.

Repairs & Upgrades: ($35,000.00)

Holding and realtor 6% fee: ($10,800.00)

Total cost: ($125,800.00)

ARV sales price: **$140,000.00**

House Flipper Profit is: $14,200.00 +/-

Nice, but our Note Profit is $42,000 +/- in this example, with much less cost, much less risk & much less time!

Not actual photo of this example

Sample Defaulted Note Calculations on Vacant Property

The Note Purchase Price is typically based on the lower of either the Unpaid Principle Balance or the BPO.

$	**22,913**	Investment
	$32,087	Gain
	153%	Cash on Cash Return

Projected Sample Note Transaction

Unpaid Principal Balance	$ 53,617
Seller BPO	$ 34, 000
Tax assessor value	$101,000
Buy at 40% of BPO	($ 13,600)
Hard Costs (Doc Prep, Legal Fees, Taxes, Sales Commission, Assessments,	($9,313)
Sales Price	**$55,000**
Less Purchase & Hard Costs, Closing	($ 22,913)
Potential Profit	**$32,087**

Disclaimer

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Advantage Private Capital expressly reserves the right, at its sole discretion, to update or change this information without notice.

Advantage Private Capital.com

At Advantage Private Capital, LLC we strive to make every transaction smooth, transparent, professional and beneficial to ALL parties involved.

We would be glad to hear from you to discuss **your** lending and/ or investing goals.

Opportunities abound whether this is your first time considering funding/lending or purchasing a note or you are a seasoned professional note specialist.

We have access to small unpaid principle balance notes and large multi million dollar portfolios.

Please give us a call now ☺ :Connie at 856-988-3930 or Dennis at 609-204-6856

If it is after hours and you'd like to leave a voice message, please call 856-267-0606.
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