

FINANCIAL COMPOUND

REAL ESTATE FINANCE BROKERAGE

Company Information



ABOUT US

Commercial mortgage broker since 1995, skilled in many property types and financial structures. Financial Compound continues to identify and structure debt and equity capital markets opportunities across many financial products.

Financial Compound and its staff have closed over \$4.9 billion in transactions, running the gamut from low leverage first mortgages on stable assets, to structured debt and equity placements for properties in need of renovation, to construction and unentitled land financing. For example we assembled a 100%-of-all-in-cost financing package (including land, hard and soft improvement costs, interest reserve, and closing costs) for the developer of a shopping center with minimal pre-leasing. The transaction was crafted so that the developer kept all of the upside after a 7.5% IRR to the financial partner.

Financial Compound is experienced with many types of financial structures, including acquisition, predevelopment, construction, mini-perm, refinance, bridge, rehabilitation, value added, credit lines, forwards, mezzanine loans, joint venture equity, preferred equity, highly leveraged participating debt, unsecured debts, pledge of partnership interests, personal loans, tax exempt bonds, tax credits, credit enhancements, letters of credit, improvement district bonds, and balance sheet financings including inventory and accounts receivable loans.

Financial Compound has long standing relationships with many types of capital providers including institutional equity, private equity, life company, bank, CMBS, hard money, hedge funds, venture capital, and “friends and family” as well as lenders specializing in non-conventional projects.

Financial Compound and its staff have financed a variety of product types, from A to Z: apartments, bingo parlors, car washes, diners, entertainment center, farms, gyms, homes, industrial buildings, jewelry building, karate studios, land developments, mixed use, nightclubs, office buildings, peaches, Quiznos, retail centers, supermarkets, theaters, USTs, vacant lots, warehouses, x-ray machines, yards, and a Zany Brainy.

COMMITMENT TO CLIENTS

Financial Compound maintains the highest standards of integrity and ethics in its business practices. Our processes and practices are an outgrowth of our analytical approach and keen market observation. Financial Compound's commitment begins by carefully analyzing the client's needs and the characteristics of each transaction. We underwrite and package a financing request, and confer with the client regarding its content and marketing approach. We often structure a creative solution derived from our extensive knowledge of the capital markets. Depending on the client's desires, Financial Compound can 'make a market' by contacting numerous capital providers and managing a competitive bid process, or we can undertake a more focused marketing strategy, for example, working with one capital provider that fits well for a specific transaction.

Once we obtain preliminary financing terms for a transaction, Financial Compound then evaluates the options in light of the client's objectives, and makes a recommendation. We often provide an 'apples-to-apples' comparison of financing proposals by quantifying the present value of terms such as amortization methods, promote and waterfall structures, escrows, holdbacks, lender fees, defeasance and other prepayment penalties, etc. Additionally, Financial Compound's work ethic, attention to detail, and passion for the business- characterized by customer service, minimizes the client's involvement with processing and paperwork.

Capital providers offer cutting edge terms to Financial Compound and often their senior level professionals work with us because of our technical expertise and large business flow. We can work quickly and place a transaction within hours if necessary. We have closed an institutionally priced loan in eight business days and 'hard money' loans in two days.

Financial Compound's networking advisory board of leading finance experts, accountants, tax specialists, investment bankers, appraisers, title officers, engineers, and lawyers facilitates efficient processing of transactions.



EDUCATION AND INDUSTRY BACKGROUND OF OUR STAFF

Education

Columbia Business School
UCLA
University of the East
University of Michigan
University of Southern California
Villanova University

Prior Work Affiliation Highlights

Aetna Real Estate Finance
Avanti Properties Group
Council Rock Partners
MIG Financial
The Yarmouth Group

Some of our Affiliations

American Red Cross
ARM Organization
Beit T'shuvah
B'nai B'rith
Boy Scouts of America
CMBA
Calpirg
Crittenden

IMN
LACMA
Los Angeles County Arboretum
Moriah Society
Mortgage Bankers Association
Real Estate Cabinet
Shelter for the Homeless
The Urban Land Institute

REPRESENTATIVE FINANCINGS

\$16,050,000

Grocery Store
Refinance
40% LTV, 2.4 DCR

Two national chain grocery stores in prime Los Angeles locations with strong sales. Loan terms included a 67 basis point spread over the ten-year treasury, yield maintenance after a three-year lock-out, and a seven month free rate lock. No lender fee.

\$74,000,000

Office Building
Refinance
60% LTV, 1.70 DCR

Aggressively priced 5 year floating rate LIBOR facility. At borrower's request a competitive bid was conducted amongst interested capital providers. Cutting edge terms included no reserves, customization of the recourse carve-outs, limitation of lender's approval rights, and borrower friendly provisions in the event of non-monetary default.

\$15,000,000

Retail/Mixed-Use
Letter of Credit
100% of cost, 65% LTV, 1% interest rate

Structured acquisition financing to purchase a 4.5 acre in-fill site with an effective 1% annual interest rate. Existing improvements were functionally obsolete and seller desired to remain in occupancy until relocation to new facility. Our customer took title to property and gave seller a Letter of Credit, to be cashed upon earlier of 2 years or when seller vacates property. The LC fee was 1% per year.

\$9,000,000

Condo Conversion
Cash-out Refinance
78% LTV

High-leveraged second mortgages for three in-process condo conversion projects. All were nearly completed conversion in San Diego, CA, totaling 216 units. The conversions were 75% completed at the time of funding with 40% presales. The loans were approved in one day and closed within two weeks. Proceeds were used to comply with first mortgage lender's liquidity covenant.

Other financings include:

\$ 5,400,000	Unanchored Retail	Las Vegas, NV
\$ 1,900,000	Self Storage	Los Angeles, CA
\$22,000,000	Unentitled Land	Santa Paula, CA
\$11,000,000	Homebuilding Revolver	Orlando, FL
\$ 8,000,000	Anchored Retail	Jacksonville, FL
\$15,300,000	Office building	Charlotte, NC
\$13,500,000	Anchored Retail	Eau Claire, WI



WORKOUTS, MODIFICATIONS, AND DISTRESSED REFINANCINGS

Financial Compound has the skills and track record to assist borrowers and lenders with commercial loan workouts, having performed numerous successful modifications and refinances in a distressed context. We have resolved complex financial problems with our proven methodology and helped the parties determine the best course of action. With Financial Compound no up-front fees are required and we receive compensation only upon the closing of a restructure. This pricing model is an outgrowth of our company philosophy and is unique in the industry. Our long history and relationships with the capital providers, coupled with our in-depth market knowledge, have helped us complete restructurings efficiently. It's the Financial Compound stimulus plan- When we work out your loan, we make a beneficial impact on the economy and capital markets of greater magnitude than the transaction itself.

COMPANY PHILOSOPHY

Financial Compound maintains the highest standard of integrity and ethics in its business practices. Our work ethic, attention to detail, and passion for the business—characterized by customer service, minimizes the clients' involvement with processing and paperwork and has helped us enjoy a strong client retention ratio.

The Financial Compound logo, “aleph to the root of pi” shown below, challenges us to pursue creative and innovative solutions to real estate finance problems. Our pursuit of this knowledge has benefited our clients in the form of financing costs and transaction structuring.



Our process includes: (1) sharing transaction information and capital provider research in an organized and cooperative way at our staff meetings as part of staying abreast of capital provider preferences, new financial products, and cutting edge pricing, (2) weekly underwriting and credit training in our experiential learning environment called University of Financial Technologies held Fridays at noon in our conference room, lunch is included, (3) utilizing and enhancing numerous proprietary templates we created in Excel to process transactions efficiently, some of which model abstruse financial and mathematical concepts in a simple and understandable way. One of our staff members wrote a book entitled “Real Estate JV Equity Modeling in Excel”, (4) reading and discussion of trade magazines and finance journals, (5) utilizing state of the art computer infrastructure and information management systems to organize and work with transaction records efficiently; as well as to safeguard client confidential data, and (6) making most of the important decisions through consensus amongst our staff.

More about our logo: Financial Compound believes that in order to stay abreast and a step ahead of the capital providers' preferences it is important to understand the mathematical aspects of the real estate capital markets, sometimes using a different notation such as aleph and pi.

Aleph is a math symbol used to express the cardinality, or size, of infinite sets as pioneered by Georg Cantor, a prolific mathematician in the late 1800s. The cardinality of a set of 3 people at a dinner table is 3, and the cardinality of the set of 100 people at a movie theater is 100. Cantor discovered that infinite sets can have different cardinalities.

Pi is an irrational number. It's the relationship between the area and radius of a circle, equal to approximately 3.14159.... with digits continuing forever and never repeating a pattern. One cannot point to pi on the number line. We can point to a rational number very close to pi, such as 3.1416, but we can never pinpoint pi or any other irrational number.

One of Cantor's set theory conclusions is that there must be an infinitely greater amount of irrational numbers compared to rational ones, as there is always an infinite amount of space for numbers between any two points on a number line, no matter how close together they are. Yet mathematicians have only discovered limited amounts of irrational numbers to-date. Some mathematicians have driven themselves insane searching for the next irrational number. So let us not get carried away thinking about it for too long. Financial Compound uses a subset of our logo for its marketing materials



in part to symbolize the hidden nature of many financing solutions. By studying and working on our clients' transactions tirelessly, Financial Compound is often able to discover a hidden and creative financing solution.

What is the pieth root of aleph? Financial Compound thinks it's approximately the cubed root of aleph, which is equal to about aleph. What do you think? We celebrate pi day on 3/14 at 1:59pm, and you are welcome to join us in our office for some pie, the traditional food for pi day.

Maintaining privacy of your information is important to Financial Compound. Client and transaction records, including contact information that you may provide to us on our company website, are stored in our secured computer environment, which exceeds federal standards for data security compliance. Records in our system are encrypted with 32 bit encryption, protected with firewall, anti-virus, and other intrusion prevention protocols. In addition, we have strong access control policies that require additional passwords to access certain data.

DISCLAIMER: If you engage Financial Compound, you are engaging us to attempt without obligation to obtain financing, with our only obligation (including with respect to client and transaction records) being not to commit willful or intentional misconduct against you. We normally don't charge any up-front fees. Our fee is due simultaneously to the client's receipt of financing. We can provide references from many satisfied clients and industry participants.



CONTACT INFORMATION

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