



BRIDGECORE

CAPITAL[®]

An Experienced, Trusted Source
For Quality Mortgage Investments



Private Lending - Background

In the immediate years following the Great Recession of 2008, capital was severely limited. Institutional lenders had practically frozen new lending activity, and the investments of most legacy private sources of capital had crashed as a result of the rapid loss of value in real estate assets, poor credit decisions and highly-leveraged investments.

New private lenders that entered in the market during this time lent on assets whose values had readjusted to the existing market conditions, and as a result, increased their equity positions with a lower cost basis. Meanwhile, federal regulation, spurred by the 2010 Dodd-Frank law, weighed heavily on banks and other traditional lenders, further limiting the availability of capital.

Then market started to adjust. It didn't take long for conditions and subsequent actions resulting from the recession—historically low interest rates and low construction costs, combined with new monetary and fiscal initiatives—to stimulate the economy. Even before the institutional world took notice, and as they reeled from the recession, private investors had started buying and developing again, especially in emerging submarkets like Brooklyn on the East Coast, and in the West, the Arts District of downtown Los Angeles.

Institutional capital soon followed, as did private lending. The lower cost of capital in the market allowed newly-formed debt funds backed by private equity, hedge funds and life insurance companies, to deploy capital on commercial and residential lending opportunities, while arbitraging the increasing spreads. The combination of more available capital, low borrowing costs, depressed valuations and attractive pricing on raw materials, started heating up the real estate market again.

Interest rates on real estate-secured private loans started to drop from the double digits between 2008 and 2013 to the high single digits between 2014 and 2016. Rates have hovered between 6% and 8% from 2017 to the early 2022. Rates typically vary based on a number of underwriting factors that depend on how private lenders assess risk. Generally, however, rates on the East Coast are usually 100 to 200 basis points higher than on the West Coast, due to the competitive premium that capital sources place on coastal and urban-infill real estate in California.



Fast Forward to Today

As we ended the first quarter of 2023, the market paralysis in commercial real estate that began in early 2022 continues.

While there were residual effects of recovery from the pandemic in the second half of 2021, the initial signs of growing inflation were starting to affect the real estate sector. Then the Federal Reserve pushed back in March of 2022 with a 25-basis point hike in the interest rate, then a 50-basis point hike in May and a gauntlet of hikes accruing to 75 basis points in the months of June, July, September and November.

The aggressive approach to curbing inflation was the chief driver of the increases, but other macroeconomic and geopolitical issues, such as energy costs, divisive politics, the war in Ukraine and more, resulted in a virtual real estate market nightmare by the fourth quarter of 2022.

The cost of capital for borrowers and lenders skyrocketed by the end of 2022, curtailing loan payoffs. Sellers were in denial of decreasing values. With widening cap rates, buyers kicked deals down the proverbial road to eke out discounts on acquisitions. These and a host of other market factors caused a hopefully temporary — but who knows how long — paralysis in the entire real estate market.

Today, that paralysis is casting a shining light on a new use for bridge financing: **the bridge-to-normal.**



Bridge-To-Normal

A number of borrowers are using what I have termed the bridge-to-normal method, which is an adaptive use of the bridge loan product. It serves as a critical, if not lifesaving tool for commercial real estate investors and their mortgage brokerage advisors. The bridge-to-normal allows them to buy time with short-term loans — i.e., 12 to 18 months — until conventional rates normalize.

There is absolutely no need, nor is it prudent, to lock in a high single digit rate for the next 10 years, when the same investor can secure a bridge loan with a low double-digit rate for the next 12 months, then reassess the market in a state of calm and determine the best strategy for recapitalizing the subject asset.

Today, banks and credit unions are rolling back their capital, following outlays in 2022 with significantly lower returns, the recent run on banks, and regulatory tightening. As well, private debt funds are freezing lending activity due to increased leverage costs and/or warehouse lines being pulled. The last players standing — namely, unlevered bridge lenders — can fill a gaping hole in the capital markets to save and facilitate transaction flow and execution, and to make deals happen quickly and efficiently.



Why Private Lending?

There are several salient, key competitive advantages to private lending:

- Private lenders are nimble, much more so than larger institutions, and can move quickly to fund...in days, instead of weeks or even months, especially through new digital platforms that streamline the process.
- Private lenders have the ability to fill voids and meet needs that are caused by short term horizons, impaired credit, limited liquidity, transitional property scenarios or business plans that are more complex than regulated lenders can undertake.
- And, given the monumental shift in the availability of capital due to the current environment, the private lending industry is serving as a Bridge-To-Normal solution to a very constricted market fueled by the run-on banks, rising conventional rates, and inflation.



Recent Transactions

Below are recent transactions that are representative of how private lending comes into play in the capital markets:

- **Cash-Out Refinance of Former Vacant Bank Branch in Daytona Beach, Florida**
 - A franchisor of day-care centers acquired this site to house its corporate headquarters. Borrower purchased all cash through a 1031 exchange and needed a cash-out refinance post-acquisition in order to support its business operations.
 - Borrower needed a private loan because of the immediate need for the cash-out for its business and it would have been challenging to secure a 100% cash out loan from a conventional lender in this market.
- **Cash-Out Refinance of Senior Living Facility SFR Portfolio in Garden Grove, California**
 - Senior Living Facility had four SFRs that it needed a cash-out loan to support its operations before it received a government grant, timing of receipt of this grant could not be determined.
 - Borrower needed a private loan for the same reasons as the first loan scenario, a common theme in this market.
- **Refinance of Golden Corral in Omaha, Nebraska**
 - Borrower needed to take out Bank of West which was acquired by BMO who wanted this loan off its books given some default history during Covid. This may become a more common occurrence of troubled banks and acquired banks who want historically non-performing loans off their balance sheet.
 - Borrower also needed to execute within 2 weeks in order to avoid default status with the BMO.
- **Refinance of Two Subways in Milford and Torrington, Connecticut**
 - Borrower needed speed of execution in order to settle a payment with Subway Corp within 10 business days in order to resolve unpaid lease payments during Covid and reap the benefit of a decrease royalty fee from 12.5% to 7% thru 2033, a profit upside of over \$5.5M for the borrower. BridgeCore closed in 7 business days.



BridgeCore's Lending Programs

BridgeCore's Industry Leading Pay-Rate Program

PAY-RATE Starting at 7.99%

ACCRUAL RATE Non-Compounding

INTEREST RATE Starting at 8.99%

LOAN AMOUNT \$500,000 - \$10+ million

LTV Up to 70%

LOAN TERM Up to 18 months, extension available

LOCATION Nationwide

PROPERTY TYPES Multifamily, Industrial, Retail, Office, Mixed Use, NOO SFR

CLOSING 3 - 4 weeks

PERSONAL GUARANTY Non-Recourse in Most Cases



BridgeCore's Lending Programs

Institutional, Non-Bankable Loan Program

INTEREST RATE Starting at 1-Month SOFR Rate + 5.00%

LOAN AMOUNT \$10 million - \$60+ million

LTV Up to 70%

LOAN TERM Up to 24 months, extension available

LOCATION Nationwide

PROPERTY TYPES Multifamily and Industrial

CLOSING 3 - 4 weeks

PERSONAL GUARANTY Full, limited and non-recourse considered



BridgeCore's Lending Programs

Small-Balance Retail Loan Program

PAY-RATE Available

INTEREST RATE Starting at 9.49% (Fixed)

LOAN AMOUNT \$500,000 - \$5+ million

LTV Up to 70%, with no appraisal report required

LOAN TERM Up to 18 months, extension available

LOCATION Nationwide: primary, secondary and tertiary markets

PREFERRED TENANCY / PROPERTIES Grocery, Pharmacy, Farm Supply, Dollar Store, Auto Parts; Single Tenant NNN Retail; and Value-Add Retail Properties, such as Second Generation Vacant Centers and Stand-Alone Buildings in Main Retail Nodes in Subject Markets

LEASE PARAMETERS Minimal rollover during loan term; replaceable rent on anchor tenants

CLOSING As quick as 5 business days

PERSONAL GUARANTY Non-Recourse in Most Cases



Business Strategy

Loan Origination Platform



TRUSTED RELATIONSHIPS

With leading, long-standing mortgage brokers, real estate developers, owners and sponsors.



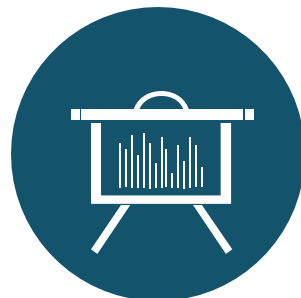
REAL ESTATE INDUSTRY ACTIVITIES

Conference sponsorship and attendance, speaking engagements.



TARGETED CAMPAIGNS

Via email, telemarketing and social media, reaching new and existing relationships.



LENDER PRESENTATIONS

At mortgage brokerage and real estate investment brokerage firms.



ADVERTISING

In major trade publications, online directories.



Our Team

Elliot Shirwo

Founder and Principal

Elliot's real estate, lending, legal and family office experience spans more than two decades, serving investors and principals alike. He has a deep network of relevant relationships, participating in both on- and off-market real estate financing and equity transactions, with not one foreclosure on the private debt side.

Prior to founding BridgeCore Capital in 2018, Elliot managed a family office and its private lending business for almost a decade, building on his foundation for understanding the multi-generational needs of family wealth, and establishing a disciplined approach to wealth creation and preservation.

Elliot's real estate finance expertise creating, growing and operating a major, private mortgage lending business provides a strong, sustainable investment platform for the investors of BridgeCore Capital. More than two decades of legal experience has served as a resource for disciplined governance and risk management.

Elliot previously served as General Counsel and Secretary of Peerless Systems Corporation, a publicly traded company, and as a board member of its foreign subsidiary. He previously was in a private legal practice, handling transactional matters and civil litigation in the areas of insurance, real estate and intellectual property.

Elliot earned a B.A. degree in history and art history from the University of California, Los Angeles, and a J.D. from Southwestern University School of Law. He is an active member of the State Bar of California, serves on several trade organization committees, and speaks and publishes on real estate finance and family office management.



Our Team

Nathan Fransen, Esq **General Counsel**

Nathan is BridgeCore Capital's General Counsel, overseeing all legal affairs. Nathan has enjoyed a diverse practice since founding Fransen and Molinaro in 2006.

Prior to becoming an attorney, Nathan owned and operated a mortgage and real estate brokerage firm, where he developed a deep understanding of real estate and lending laws, as well as the day-to-day challenges facing such businesses.

Nathan has represented more than 500 clients in transaction, regulatory and litigation matters, including bankruptcy cases; argued in state and federal courts of appeal; conducted both jury and non-jury trials; and consulted with numerous businesses on a variety of complex legal issues.



Our Team

Brandon Kurtz

Director of Underwriting and Operations

Brandon joined BridgeCore Capital in 2019 and handles all underwriting matters for the company's three bridge programs as well as processing for its loan closings. Brandon co-manages the company's operational affairs and works directly with the Company's principal on all strategic planning matters.

Nikki Howell

Associate

Nikki is responsible for underwriting and originations for non-owner occupied, residential and commercial real estate in markets served by BridgeCore throughout the country, further expanding the firm's leading role as a bridge lender. Based in Los Angeles, Nikki has more than 15 years of experience in the commercial real estate industry, with almost a decade of appraisal experience in the banking sector. Nikki is a certified general appraiser in California and Utah.

Alan Zukerman

Director of Loan Originations

Alan is responsible for overseeing loan originations for commercial real estate in markets served by BridgeCore throughout the country, further expanding the firm's leading role as a bridge lender. Based in New York City, Alan has almost two decades of acquisition, asset management, banking, and financing experience in the residential and commercial real estate sectors.



Our Team

Andrew Katz **Tax and Accounting**

Andrew handles BridgeCore Capital's day-to-day accounting, bookkeeping, tax related matters. Andrew has more than 38 years of public accounting experience, with an emphasis in auditing, tax planning and tax preparation.

David Duner **Tax and Accounting**

David handles BridgeCore Capital's specialized accounting and tax related matters involving the private mortgage industry. David has more than 35 years of public accounting experience, with an emphasis in auditing, tax planning and tax preparation. For the majority of David's career, he has served the private mortgage industry by providing such services as certified audits of mortgage funds, preparing partnership tax returns and K-1 forms, SEC registration and reporting and California Bureau of Real Estate trust fund reporting and compliance.



Our Team

Roger Pondel

Marketing Communications and Investor Relations

Roger directs BridgeCore Capital's marketing communications and investor relations. Through his nationally recognized firm, PondelWilkinson Inc., he has more than 30 years of relevant financial sector and investor liaison experience, overseeing programs for some of the nation's leading investment banks, real estate and finance companies, limited partnerships, commercial banks and others.

A journalist in his early career, Roger has been the architect of programs for privately owned and publicly traded companies, working extensively with relevant news media, and serving the informational needs of individual and institutional investors.



Contact

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