

Presented by Sok Cordell

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Who We Are: CH Capital Executive Team

- Combined 100+ years in the financial services industry
- Experience in:
 - Money Center and Regional Bank: 85 years
 - Investment Bank: 16 years
 - Community Bank: 45 years
- All have held Executive or Senior Management positions
- Roles in: production, asset/risk/project management



Challenges for SBA 504 FMP Program

- SBA FMP 504 Program Launched in Sept 2010
- National Press Coverage
- 3 Billion set aside with 2 years
- Program ends in Sept 2012
- Total loan so far 100 million*
- No consideration on the refinance due in Feb 2011
- No one knows this program nationally, too complicated for community bankers
- Too complex and no economic incentive for non banking model



Current Target Market

- Community Banks
- CDC's (Community Development Company)
- Current SBA 504 Programs
 - Bank of America (Merrill) Program
 - Morgan Stanley
 - Credit Suisse
 - Coastal Securities
 - Fig Partners (for non bank lenders)
 - Have many other poolers, but do not want to risk the 5% or do not have enough capital to make a market.



Current SBA 504 FMP distribution



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The Community Banks

- Compensation of bankers are driven by Loan production
- Community bankers will be driven to make SBA 7a loans rather for premium and simplicity rather then SBA 504 FMP program – more complicated process and less premium
- Community bankers are known as slow and takes too long to close an SBA 504 loans, SBA 7a PLP 25% risk, no fees for now and 75% sale on great premium, - exactly
- Community bankers and CDC cannot effectively get the loan in a timely manner. Average time for an SBA 504 loan is usually 60 to 100 days.
- Community banks are not known for creating volume for SBA 504 loans, because of all the new changes, deal makers are needed, not community bankers
- If community bank was great at SBA 504 loan, then Zion bank would be the largest US bank (haha)



Community Development Corporation (501c3)

- CDC (Community Development Corporation) 501c3 a non profit corporation
- Top 20 CDC's control about 60% of all SBA 504 loan volume.
- As of Nov 2010, total SBA 504 loans were 706 million done by the CDC total loan of 1,276 loans
- CDC by nature are competitive
- The largest CDC's make significant amount of income, so they usually hire subpar employees to reduce wages, but no economic incentive to drive more business from admin people within the CDC's
- No economic advantage for working together, since CDC's are competitive about their bank list
- Often in certain districts, one large CDC dominates the market, and rest of the CDC's in the market have limited financial means and limited resources to compete
- Most CDC's do not get along, lot of political in fighting and political positioning who is the membership of Nadco – why isn't every CDC in it - exactly

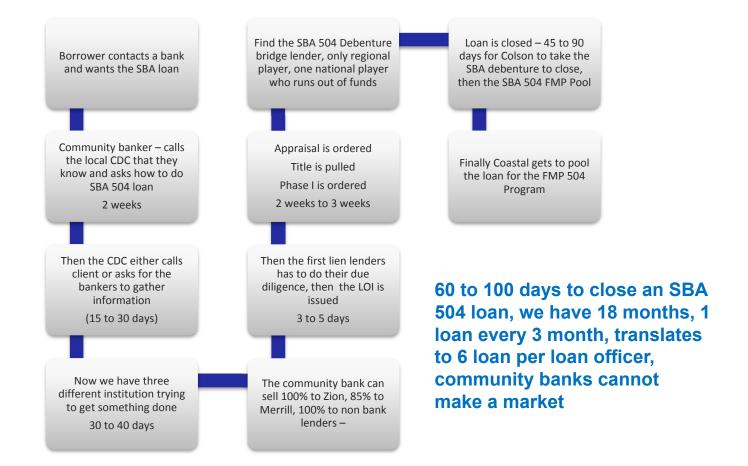


Community Development Corporation (501c3)

- CDC's political and territorial war
- Since the top control the market, cannot access the distribution channels or the information distribution
- Community banks are not known for productions
- The time frame for SBA loan 60 to 100 days –
- Banks do not understand the new FMP program, but neither does most of the banks
- There are jealousy regarding CDC Small business got the contract for Merrill, Morgan, Credit Suisse, all the non bank lenders, and new REIT Jordan and I will be representing that I am bringing on a national level
- Create a national Bridge program to bring the CDC's egos down a notch



Current SBA 504 Loan Process





Current SBA 504 Loan process

- SBA 7a loan process
 - Total time to close an <u>average SBA 7a loan 30 to 40 days & commission is</u>
 <u>twice the amount of a SBA 504 loan</u>
- SBA 504 loan process
 - Origination from the bank gather information, waiting for the borrower to get the right information (3 weeks)
 - Get the information to the CDC's (2 weeks)
 - CDC getting the LOI (1 week)
 - First Lien Lender LOI (2 weeks)
 - After receiving the LOI from the First Lien, we wait for CDC to submit the loan for SBA loan number (1 week)
 - Finding Debenture for the SBA 504 debenture (2 weeks)
 - Waiting for the Pooling rule (2 loans with one index)
 - 45 days later we are closed with the loan. Off the books
 - Average SBA 504 loan takes around 60 to 100 days and commission is twice as less a SBA 7a loan



Current SBA Technology

This is our biggest time waster – we lose about 60% of our day trying to reach some one or communicating to some one we need something more

Only communication system people have is email

Document, are you seeing what I am seeing, this simple process is breaking the backs of the SBA 504 loan process, this simple problem is the excuses that the industry accepts as the norm

No one answers there phone anymore - the document delivery is a problem

Mobile society cannot sit still, and continual need to mobile communication

Emails kill business productivity, it is being used as an excuse not to communicate to clients, but also use to deny ever receiving the document

No stream line process

Lose documents through email, lose time trying to communicate

Delivery of documents from tax return, to application, third party reports - big problem

Nobody agrees on technology, excel spread sheet to underwrite, some use LMS, some use Fiserv, some use PFS 2000, so manually underwriting again, and then again, and then again



Current SBA technology

- No Software Standard
 - CDC LMS (Resource Capital) 80% of all CDC's nationally use LMS
 - Banks use Fiserv, PFSF 2000 and SBA Open ETC
- Excel Spread Sheet
 - Zion uses Excel Sizers to analyze a loan, CDC uses LMS, banks use Fiserv exactly
 - We lose so much time trying to see which software is the right one
- No Document Management System
 - LMS, EDOC Lending, Fiserv and other document management system
- Emails, emails, and emails
 - Only method of communicating losing documentation is a normal process
- No e-signature, digital signature or other technology that is accepted as a standard.
 - Simple and clear way to get all digital documentation for application, loan approval, loan closing documentation
- Banks use different software then CDC's, same for document management system



Current SBA 504 Loan Volume

- 4 to 5 Loans a month
- No Volume for the loan
- No market leader in the market making of the bonds
- No premium incentives for non bank lending market, since it is such a thinly traded market – or no traded market.
- Whom ever controls a national volume in the SBA 504 loans will be the winner, whom delivers the pooling, lines for bridge and execute will be the market leaders going forward in other opportunity



Current SBA loan production needs

SBA Loan is closed – then we need to wait until the debenture settles, Average 45 to 90 days (Non Bank Lenders cannot afford to wait 90 days for the opportunity to Pool the loan and buy the 85%) and community banks because of regulatory issues cannot hold capital that long, also depending on the deal, community banks have limited capital and lending limits, so many community banks cannot touch a deal – the bigger deal – need transitional capital

We need Bridge lenders to keep the whole markets liquid

After the SBA Debenture is closed, then we wait another 45 days because the Pool rule for loans in the same index, since there is no volume, we wait another 15 to 30 days or longer. Take an average community bank with 200 to 400 million in assets, Tier 1 Capital, CRE concentration, credit committee jitters, FDIC audits. Many banks do not want to learn something new, furthermore regulatory constraints will not allow community banks to lend

Finally after we closed the loan, the process for secondary market is weak at best. There is only one bridge lender nationally, then there is only two non bank lenders (currently selling to FIG Partners) who do not have the capital to close the loans in volume, onesy or twosies at a time. Not enough to make a market . Zion's' created this mess, Bank of the west died in wholesale, community south have capital issues, sterling in Texas is not coming back, GE does not want anything with it, - exactly – no possibility for volume. Except we are bringing a national REIT.



Current SBA loan production needs

- Non Bank Lending Program
 - Bringing in the market a Billion dollar REIT to commitment for 300 million in 15% investment of the FMP program
- Need a National debenture player
 - 45 to 90 days non bank lenders do not have the liquidity to hold on to the second lien (and community banks cannot risk the capital because of regulatory constraints
- Need a National 504 FMP bridge player
 - Since it takes 45 to 90 days to get the SBA debenture to be funded and sold by Colson services, then we can create a pool of two loans with same index
 - Non bank lenders cannot rotate the capital for their credit line, we need a bridge lender to do one or both – bring one bridge lender to take first and second bridge lender to take out the second to create a fluid process



Alternative Marketing Distribution

CH Capital Partners LLC

- Currently have 500 name of individuals whom the partners of CH Capital Partners LLC have worked with. Commission, commission, and commission drives SBA 504. Fred, a former Sr. VP of Impaq Commercial, Sok Cordell former Sr. Vice President of Wachovia Securities, Shawn Park former Sr. Vice President, District Manager of Liberty Financial, and Chris Chu former Sr. Vice President of UniBank., Mark Hetrick, former Sr. VP of Community Bank, Mark Pizzuti former VP of Wachovia RMBS.
 - Fred and Sok will reach out to the 500 wholesale clients in commercial
 Mortgage Industry
 - Shawn and Chris will concentrate in Korean, Chinese and Indian Community banks and non bank financial institutions for SBA 504 Loans, and further create articles and new letters in their native language to promote to Korean, Indian, Hispanic, Chinese, and other ethnic markets
- If you look at the market of SBA minority and women owned enterprises make up almost 50% of all SBA loans, give them what they want, want to speak Martian, okay give it to them
- Use our proprietary bank model to execute the SBA 504 refinance market* it is the second slide PDF



Alternative Marketing Distribution Channel

- Look to Non Bank Lenders to create the volume (need economic benefit and protection) exclusive territories
 - CMBS was created to bring volume and stream line to the commercial mortgage market
 - Give our group enough room for economic gains so we can pay our referral sources and our 500 brokers
- National Campaign to our the commercial mortgage brokers our 500
 - Make sure we are protected by all parties, NDA, contracts, clear understanding of the process, economics and what to expect
- Ethnic community outreach marketing to create loans
 - churches, ethnic news papers, ethnic, ethnic bankers drive the consumers
- Proprietary Bank Business Model Plan
 - Consult in balance sheet, use the call report to help banks who are in trouble, reduce their balance sheet
 - Also look at CMBS market to use refinance the SBA 504, banks cannot ever out produce Wall Street

 CAPITAL PARTNERS, LLC

COMMERCIAL MORTGAGE BANKERS

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CH Capital Partners LLC

- We are currently using LMS which is the SBA 504 loan origination and document management system, but also have access to all PFCS 2000, SBA open, Fiserv, and the list goes on. So if we run into a lender who uses certain software – we give it like Burger King – have it your way –
- We have Microsoft SharePoint site that we created a proprietary system in which we
 are able to set up a CDC, banks, non banks, third parties, where all lenders are looking
 at the same items. Our model is based on giving CDC's what they want, giving banks
 what they want, giving the borrower what they want.
- Using technology to reduce time. Electronic signature. Most of time is wasted in document management, current market's choice is email. Most of the time, when emailing from one remote place to another, people lose files, so it is so easy to say I did not receive it. Electronic signatures on the SBA application and using Microsoft SharePoint to make sure the processor to the CCO of the CDC, and bankers from small to large all are looking at the same thing and same file. Our Microsoft SharePoint is created in a organized folder system with adobe as digital signature delivery system in which a booklet is created and ADOBE, CH Capital, and all of our lenders have access to.



CH Capital Partners Commitment

- Justin Dodson is the go to person for all non bank lending program
- Justin Dodson & Coastal Securities will be our preferred partner to our REIT investor who will be committing 300 million in the FMP non-bank program
- Give us the territorial protection and some exclusivity, we will deliver as promised
- Need Coastal to be more flexible in underwriting, unlike BofA Merrill, Morgan, Credit Suisse or other current players. Make a market like Fig Partners, look at Larger B Paper, like hotels, gas stations, and other non bankable deal
- Community banks are not able to lend, either CRE concentration, way over 300% CRE, FDIC looking for concentration of hotels, gas stations, car wash, and other items, so we will consult on reducing their balance sheet, so we can refinance the loans
- Coastal can do the following to bring volume by cross selling network of SBA
 7a sellers, and request them to sell the SBA 504. process has to be easy



CH Capital Partners

- Sok Cordell' career spanned from Shearson Lehman in 1995, to First VP for UBS, and then finally Sr. VP for Wachovia Securities. Currently Independent with Securities America
- Justin Current VP at Coastal Securities
- Join forces to sell the SBA guaranteed bonds to my former institutional accounts from my wall street days
- Also help Justin and I work the Alaska, Washington, Oregon and California market
- Need to Have Securities America approve this type of business, need my attorneys to review all business pertaining to securities. Also need to make sure our compliance department agrees and finra regulations are followed
- Type of business, finding new SBA sellers, and finding new SBA guaranteed bond buyers, need review to make sure there is no conflict of interest



SBA 504 Loans are created, not originated

• Example:

- Hotel owner who is seeking 7.1 million dollars for a hotel construction to perm, has 14.7 million in Muni Bonds (I know Justin – good client) has a net-worth of 34 million, outside of 14.7 million.
- Liquidity test, he is not approved. I figured about the liquidity test. I spoke to the client about adding another project to pass the liquidity test, but will fail the accumulation of 5 million dollar SBA loan, but found the EPA 10% savings which states that he passes the SBA accumulation clause, so he can have as much SBA loans as he wants because of SBA energy public policy so I have an approval from CDC Resource Capital it is attached. Yes I have a commitment to have an SBA loan of



CH Capital Partners Process

- Eligibility Test
 - 2 days at most after receiving the file –
 - Application and all CDC forms done through Adobe or Echosign
- LOI from CDC
 - Deliver through Microsoft Sharepoint a full package as the way the CDC;s requested they like to see the document – 2 days – touch and go system
- Third Party Orders
 - Title
 - Appraisal
 - Phase I
 - 2 weeks at the latest -



CH Capital Partners Process

- LOI from first lien lender
 - Jordan approval for two programs, broker dealer approval for non bank deals
 - Non bank lenders, we would issue out LOI after we process our own approval for FMP program guidelines – 1 day after CDC send out the LOI
- SBA loan number on it's way
 - 3 days average
- After full package, CDC's we work with can get SBA loan number through in <u>3 days at most</u>
- Find first lien lender commitment
 - 5 days from full package can do ratio test, leverage test, stress test, all the items requested by banks but not by CDC
- Final Close -
- How we can get 30 to 40 days close no bank can do it better.



CH Capital Partners proposal for Coastal Securities

- It is a privilege to send you this Power Point Mr. LaPorte, just wanted to make sure that we are wanting to work with Justin Dodson exclusively, furthermore Jordan and our organization have signed contracts, and I promised to Jordan that I will compensate him for all the FMP business outside of bank of America and Morgan Stanley since he gave us the exclusive for certain territory program, so that is separate business. What we would hope is to get recognized like Jordan's organization to lending a hand in underwriting the loan, that recognition would be significant for our group and we will have credibility with our banks that we represent, and also if we have that opportunity, Jordan will still get compensated as I promised him. I do not break my word.
 - For Justin Dodson
 - Thank you
 - Sok Cordell Sr. Managing Director
 - CH Capital Partners LLC

