



# **AVATAR COMMERCIAL MORTGAGE REIT LLC**

| A Mortgage Fund with a REIT Structure  
that Benefits Investors





# **ADDING AVATAR COMMERCIAL MORTGAGE REIT LLC TO YOUR INVESTMENT STRATEGY**

## **AN INDUSTRY LEADER IN LOAN ORIGINATION**

Avatar Financial Group LLC (AFG) is a leader in commercial hard money bridge loans, offering solutions for nonconforming, income-producing real estate transactions nationwide (excluding NV). AFG is positioned to meet the market's needs and expand its portfolio of loans in the \$1 million to \$35+ million range without the regulatory constraints that large banks and institutional lenders are now facing. Avatar Commercial Mortgage REIT LLC (Avatar REIT) was formed to raise capital to provide funding for certain loans originated by AFG. AFG affiliates manage the Fund and provide loan servicing.

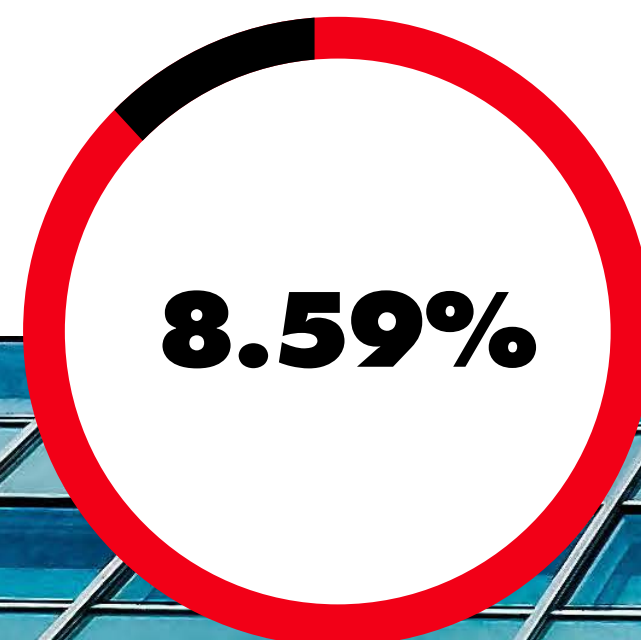


# ADDING AVATAR REIT TO YOUR INVESTMENT STRATEGY

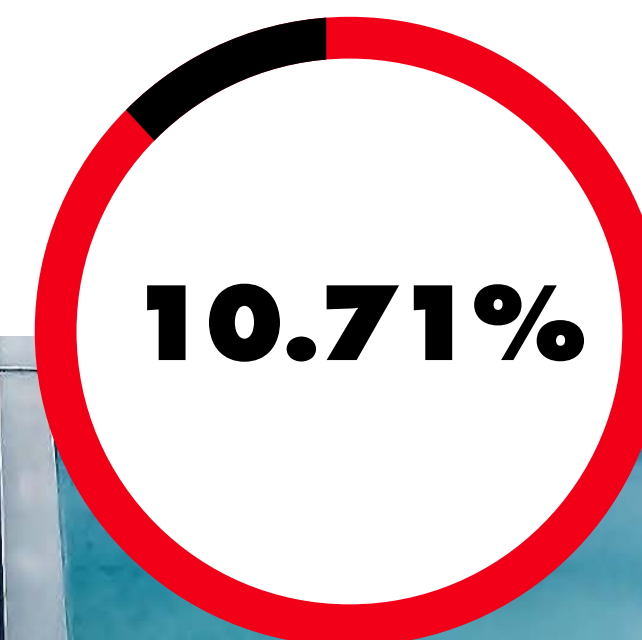
## INVESTMENT MANAGERS

Since 1995, AFG's co-founders have expertly managed commercial mortgage investments, eventually leading to the formation of AFG in 2003. The Avatar REIT is an excellent fit for investors vetting alternatives to traditional stocks and bonds for income replacement; the lower volatility, consistent returns, flexibility, and tax advantages of our Mortgage Fund distinguish this opportunity.

\*Net investor distributions after all fees. Overall portfolio performance includes returns prior to formation of the REIT. Read our full disclosures on the final page of this presentation.



10-YEAR NET INVESTOR RETURN\*



GROSS PORTFOLIO YIELD AS OF DECEMBER 31, 2023



# A MORTGAGE INVESTING PARTNERSHIP SINCE 1995



**JERRY ZEVENBERGEN,  
CEO & CO-FOUNDER**

In addition to being active in loan underwriting, Jerry oversees AFG's loan servicing, banking relationships, accounting, and budgeting. In 1995, Jerry left his position as an audit partner with Moss Adams to become the CEO of a private lending company where he facilitated the expansion of lending activities from the local market to a national platform.



**T.R. HAZELRIGG IV,  
PRESIDENT & CO-FOUNDER**

T.R. is the co-founder and President of AFG. His responsibilities include loan origination and credit analysis as well as structuring AFG's debt strategies. With over 25 years in the structured finance industry, T.R. has built a nationwide network of real estate brokers, appraisers, mortgage brokers, investors and even competitors that provide AFG with consistent, high quality loan volume. In addition to these responsibilities, T.R. is instrumental in raising both institutional and family office capital.



## KEY BENEFITS

The Avatar REIT invests your capital in loans originated by AFG. This portfolio of loans includes a variety of commercial real estate asset types in geographically diverse markets with limited exposure to any one borrower. Performance in one asset class or geographical location is mitigated by performance of others in the portfolio. Loans are only made in a first-lien position – typically at 65% of the property's value. The Fund continues to limit fixed rates on most loans for the first six months, converting to adjustable rates. The Avatar REIT managers will maintain this strategy to mitigate risk as the Fed continues on the path of inflation reduction. The due diligence process for borrowers is stringent and tested across decades of investment management in the commercial mortgage space.

### KEY BENEFITS:

#### RISK MITIGATION

- First Lien Secured Investment
- Diversification
- Maximum Loan Size: 10% of portfolio
- Short Terms: Typically 2 years or less
- Low Loan-to-Value: (57% average as of 8.31.23)
- Protection from Market Volatility

#### INTEREST RATE HEDGE

#### LIQUIDITY

#### TAX-ADVANTAGED INVESTMENT

#### EXPERT FUND MANAGEMENT



# REITS OFFER COMPELLING TAX ADVANTAGES



Avatar REIT investors may benefit from significant tax savings afforded by the 2017 Tax Cuts and Jobs Act. Specifically, investors benefit from a 20% tax reduction on earned income.

## Distribution of Returns

Avatar REIT’s pre-tax income available for distribution

### Avatar Capital Management Fee

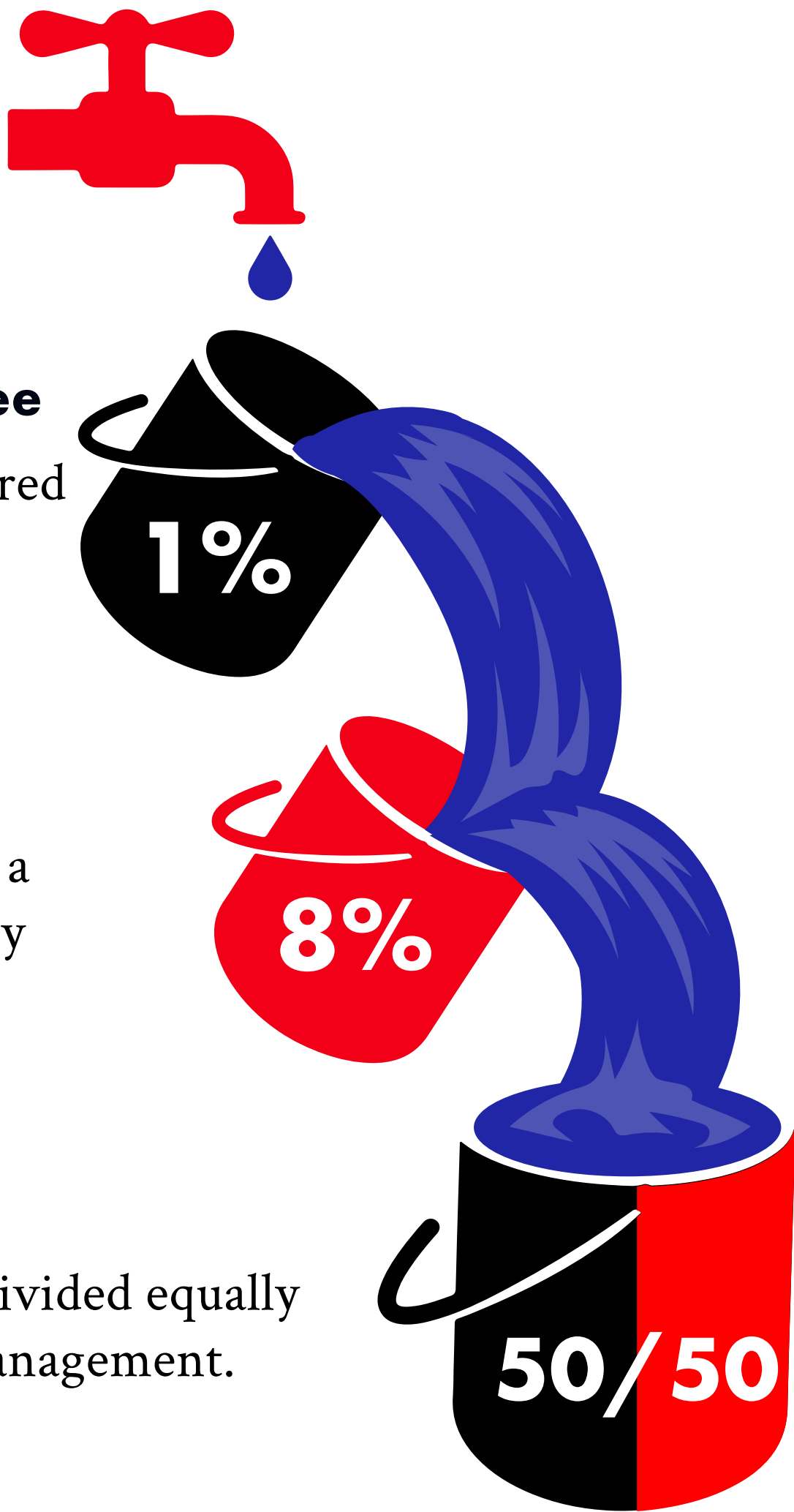
Management fee taken before preferred returns are distributed to investors

### Preferred Return

Avatar REIT investors receive a preferred return on their equity investment

### Net Profit

Additional proceeds are divided equally between investors and management.



Investment Structure	REIT	Non-REIT
Yield	8.50%	9.50%
Initial Investment	\$100,000	\$100,000
Net Income	\$8,500	\$9,500
20% Tax Deduction on QBI	(\$1,700)	N/A
Net Taxable Income	\$6,800	\$9,500
Taxes on Income (37%)	\$2,516	\$3,515
Income After Tax	\$5,984	\$5,985

As shown above, an **8.5% return from a REIT** is **equivalent** to a **9.5% return from a non-REIT** investment, assuming the highest tax rate of 37%.

\* Returns shown above are for illustration purposes only

# AVATAR REIT'S APPROACH TO RISK MITIGATION



Every investor carefully weighs the risk associated with each of their investments. Mortgage investments, when managed by a trusted sponsor with expertise, can mitigate risk in the fixed income portion of your portfolio in the following ways:

## **DIVERSIFICATION**

Investing in the equity of a debt Fund which holds loans secured by a variety of commercial assets (office, retail, mixed-use, multifamily, hospitality, and industrial) across numerous geographical markets lowers risk of poor performance because product types and locations are diverse.

## **PROTECTION AGAINST MARKET VOLATILITY**

Over time, commercial real estate has proven to be more stable when indexed against other investment classes. The long-term appreciation cycle of a real estate investment holds up against inflation as property values tend to increase at these times, while stocks and bonds may not. Therefore, Avatar REIT funds can continue to provide an income stream to investors even in volatile times.

## **MAXIMUM LOAN SIZE & SHORT TERMS**

The maximum loan size in Avatar's REIT is 10% of the assets under management. In addition, a typical loan term is two years, providing a hedge against changing real estate values and interest rates.

## **POTENTIAL TAX SAVINGS**

Up to 20% of qualified net income may be excluded from the taxable income of investors (Jobs Act of 2017). While we believe most investors will be able to take full advantage of this, the federal taxable income calculation is made at the individual taxpayer level, so the results may vary.



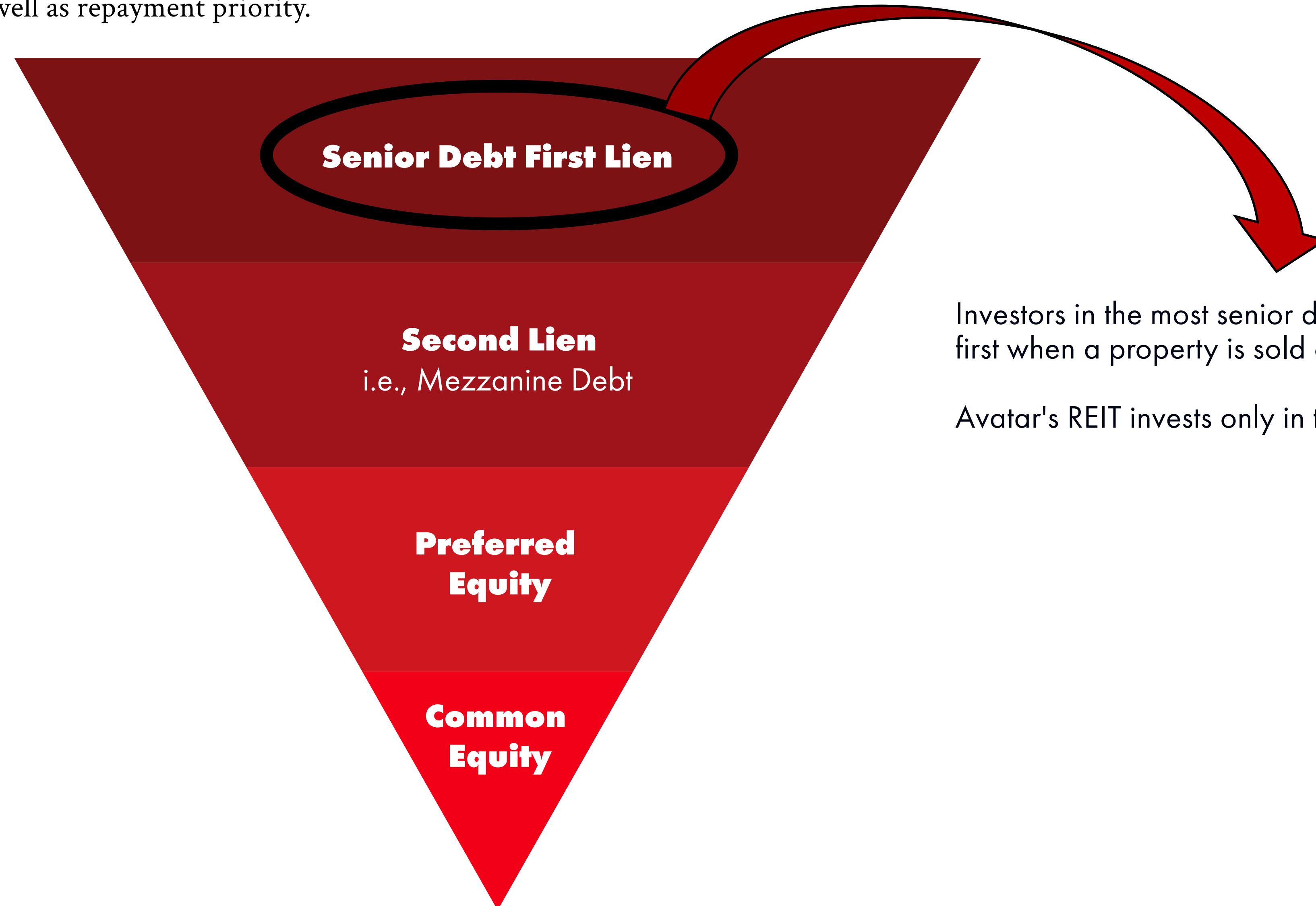


# UNDERSTANDING THE CAPITAL STACK IN CRE DEBT INVESTMENT



Commercial real estate investments often involve a combination of debt and equity capital. Each layer of the capital stack comes with its own set of risks and rewards, as well as repayment priority.

**Paid First**  
Highest Priority  
Position



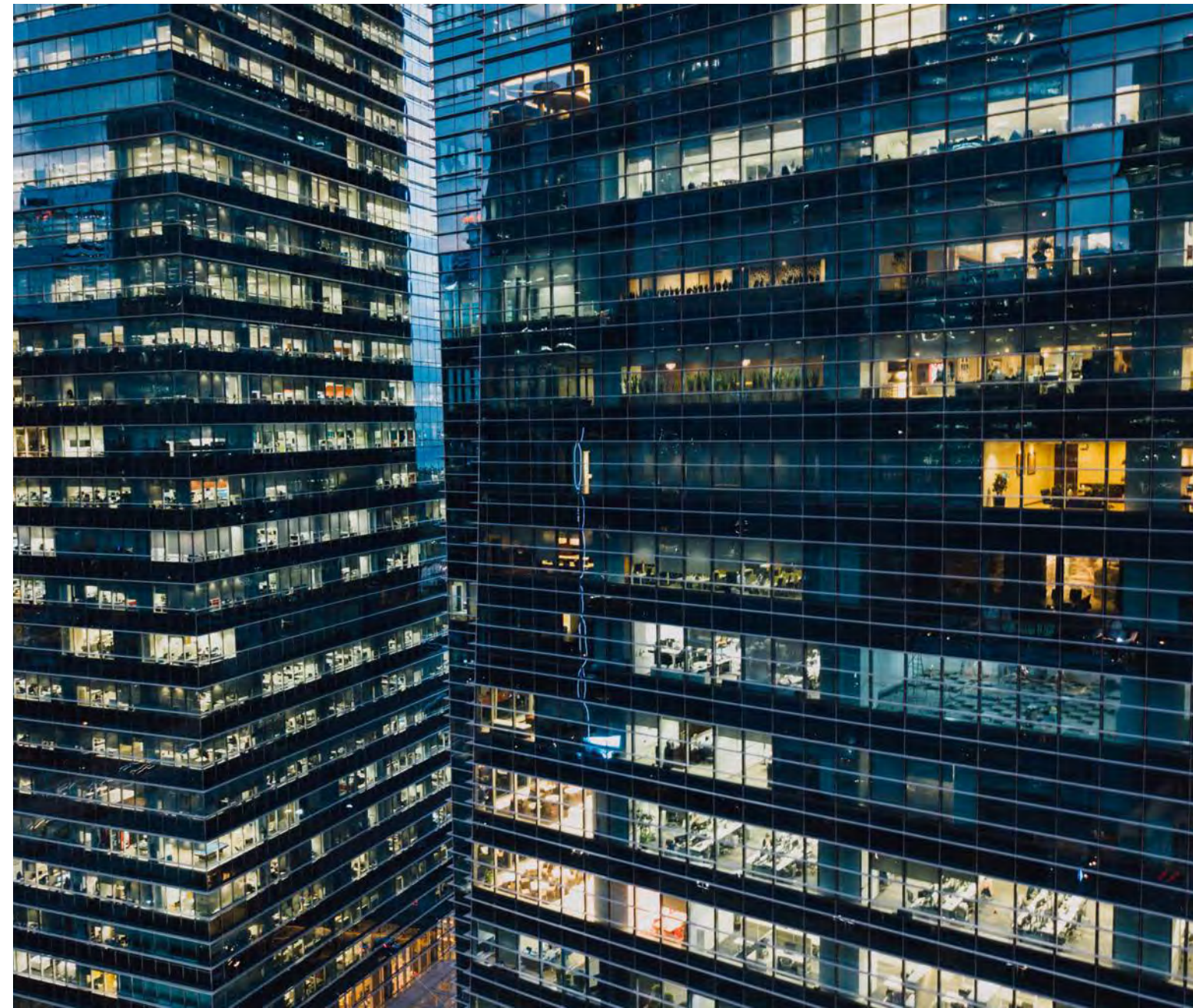
Investors in the most senior debt position are paid first when a property is sold or refinanced.

Avatar's REIT invests only in the first-lien position.

Lowest Priority  
Position

**Paid Last**





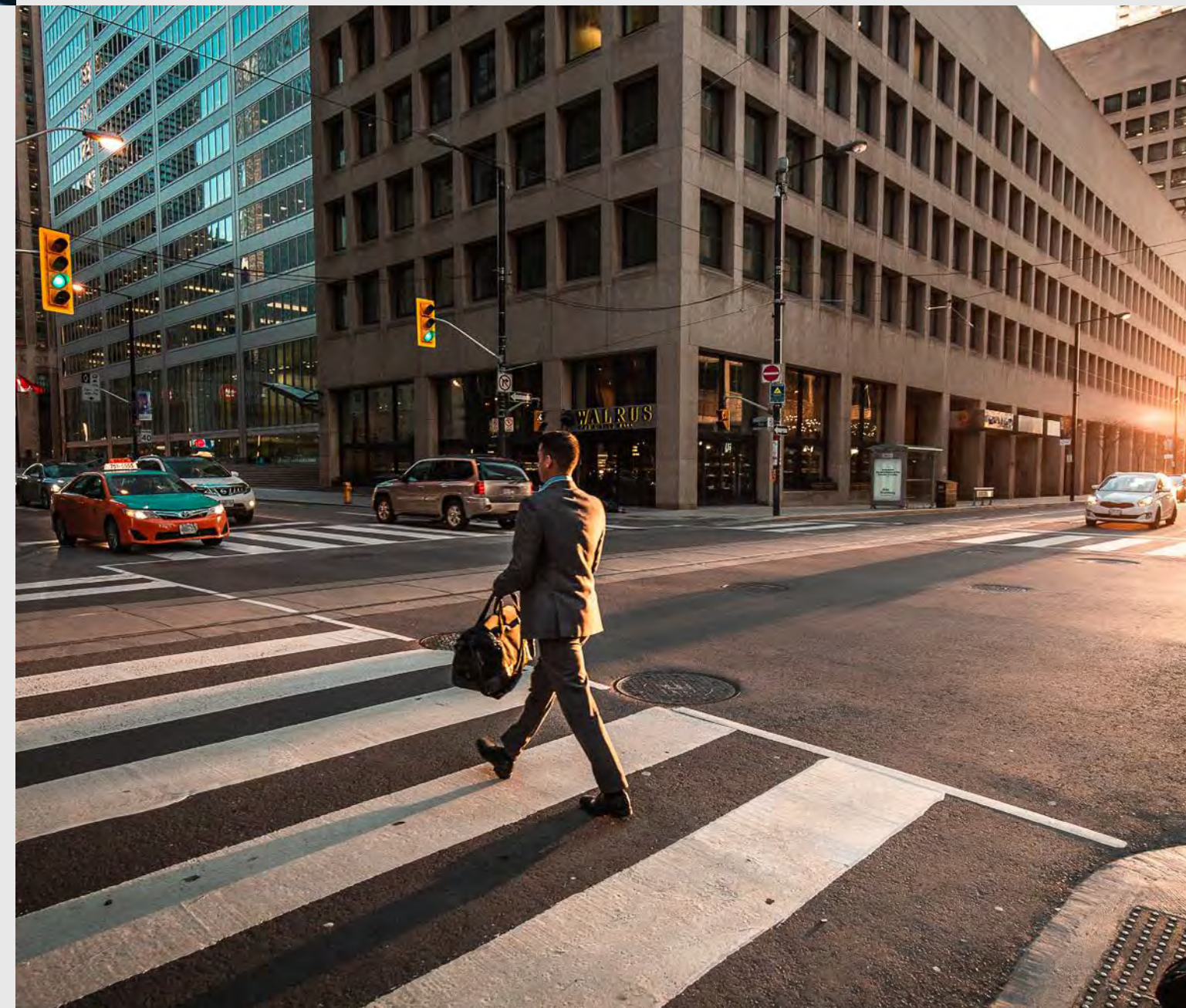
## **100+ YEARS**

Combined years of experience in the commercial mortgage investing and lending space.



## **\$1 BILLION**

AFG's principals have completed hundreds of transactions and placed \$1B+ in loans since entering the industry.



## **1%**

Fund Management Fee is only 1% (additional incentives split 50/50 with investors if the investor return exceeds 8%).



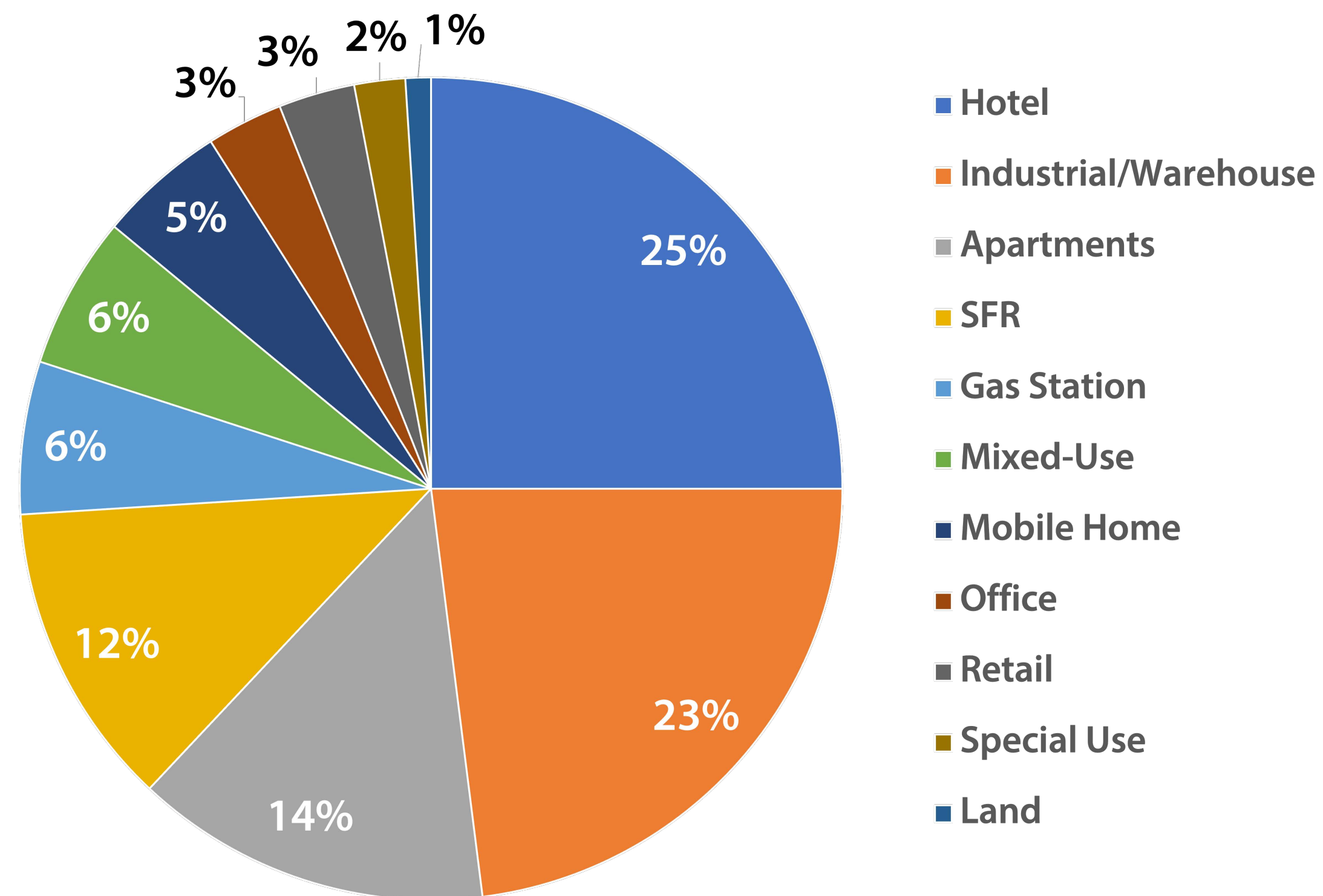
# REIT PORTFOLIO: COMPOSITION



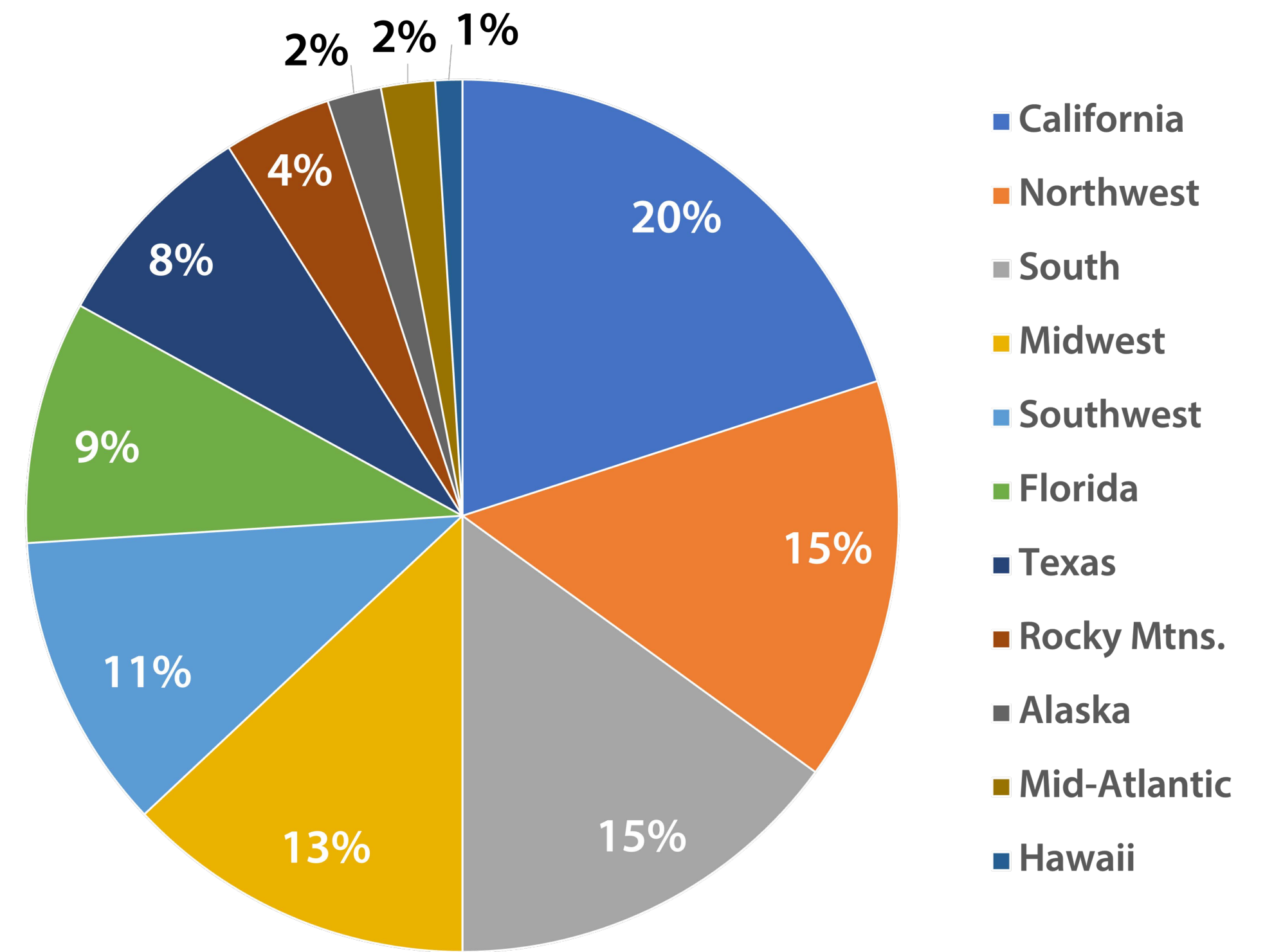
This portfolio of loans includes a variety of commercial real estate asset types in geographically diverse markets with limited exposure to any one borrower. Performance in one asset class or geographical location is mitigated by performance of others in the portfolio.

**Only 3% of the loans in Avatar REIT's portfolio are collateralized by office assets.**

Loans by Property Type



Loans by Region





# AVATAR'S REIT PORTFOLIO: HIGHLIGHTED TRANSACTIONS



Below is a selection of representative financing transactions in Avatar's REIT:

**\$3.4 MM**   **Two Apartment Communities**   **New Orleans, LA**

A photograph of a two-story apartment building with a dark roof and white walls, surrounded by trees and a wrought-iron fence.

Loan Amount: \$3,415,000

LTV: 51%

Interest Rate: 10.24% for 12 months, then adjustable based on the SOFR

Term: 3 Years

**\$9.5 MM**   **Four Industrial Buildings**   **Phoenix, AZ**

A photograph of a large, modern industrial building with a white facade and a dark roof, with the address '3030' visible.

Loan Amount: \$9,500,000

LTV: 39% (Combined)

Interest Rate: 13.05% for 6 months, then adjustable based on the SOFR

Term: 2 Years

**\$4.7 MM**   **Hotel Property**   **San Diego, CA**

A photograph of a two-story hotel building with a white facade and dark roof, featuring palm trees in the foreground.


Loan Amount: \$4,680,000

LTV: 65%

Interest Rate: 11.76% for 6 months, then adjustable based upon the SOFR

Term: 2 Years

**\$1.6 MM**   **Single-Family Residence**   **Bethesda, MD**

A photograph of a single-family residence with a brick and stone exterior, a turret, and a landscaped yard.

Loan Amount: \$1,560,000

LTV: 65%

Interest Rate: 11.99% for 6 months, then adjustable based on the SOFR

Term: 6 months



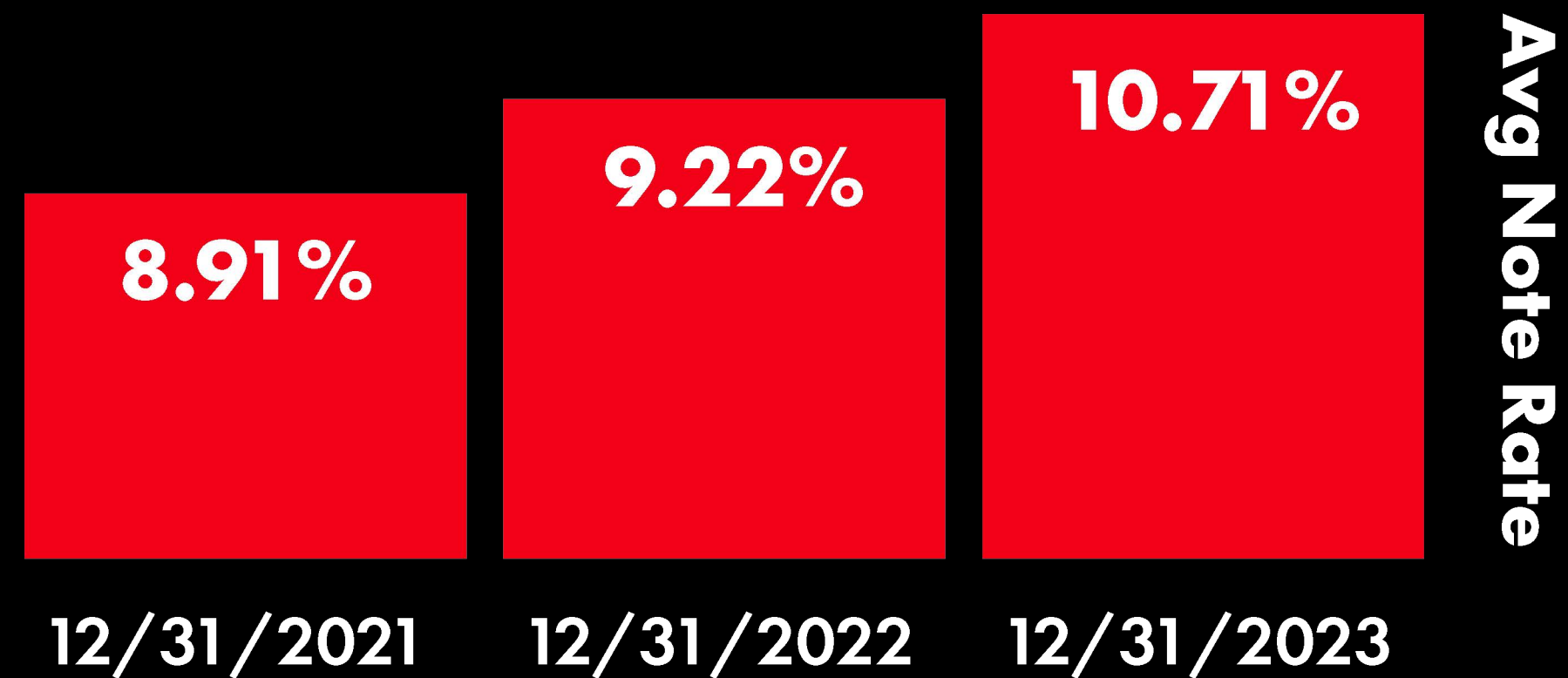
# AVATAR'S REIT PERFORMANCE

Though our historic returns were impressive in a low-rate environment, Avatar REIT's current portfolio yield is increasing dramatically. Current lending rates are 11% to 13%. The Avatar REIT team can help you tap into this opportunity.

**8.00%**

**PREFERRED DISTRIBUTIONS MADE MONTHLY  
IN 2021, 2022 AND 2023**

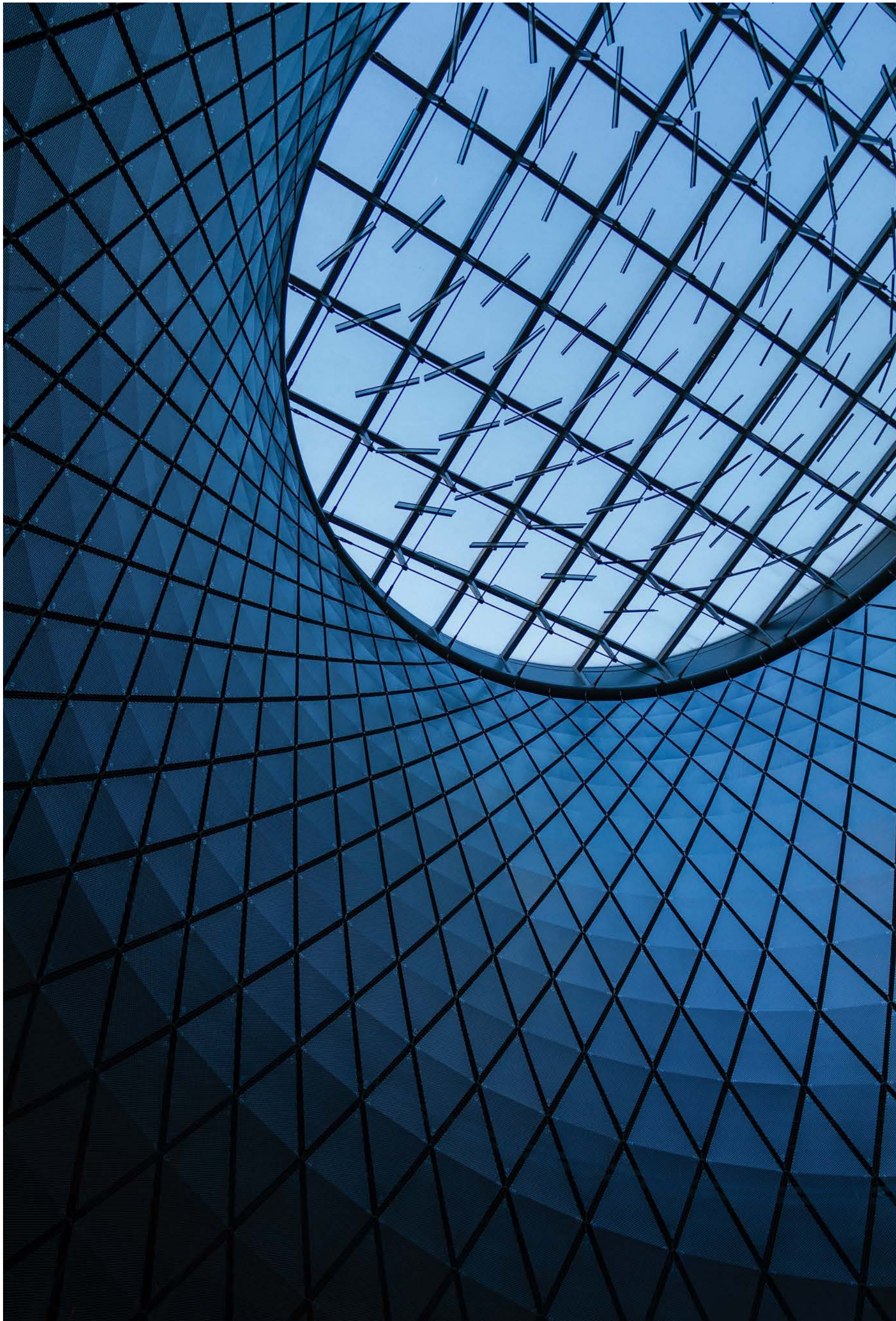
## AVATAR'S REIT PORTFOLIO



*Past performance is no guarantee of future results. Read our full disclosures on the final page of this presentation.*







# UNDERWRITING & DUE DILIGENCE



## ORIGINATION “COMMON SENSE”

AFG is uniquely positioned and capitalized to provide real estate bridge loans for borrowers with financing needs that are not being met by traditional lenders because borrowers don't meet stringent bank standards or simply don't have time to wait. AFG is able to apply sound business judgment without the regulatory constraints of banks.

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## AVATAR'S BORROWER SUITABILITY CHECK

With 100+ years of combined experience in the market, AFG has a well-honed model for underwriting and due diligence, and has applied that approach to the due diligence strategy of the Avatar REIT. AFG considers suitability in context rather than focusing on the standard formulas used by major banks.

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## HISTORIC UNDERWRITING RESULTS

The quality of AFG's underwriting process is perhaps best understood by our foreclosure rate.

**Over the past 10 years, AFG has completed foreclosure sales on 2.2% of total loan volume. Upon the sale of these properties, the resulting return on investment has averaged 7.37%.**



## TYPICAL BORROWER PROFILE

### **LIMITED TIME TO COMPLETE TRANSACTION**

Example, the Borrower has won a competitive bid for an opportunistic purchase which requires a fast and certain close.

### **CREDIT SCORE**

Minor items can affect a Borrower's credit score that may not represent the Borrower's ability to pay. Our underwriting team's common sense approach considers these issues in context.

### **PROPERTY DOESN'T MEET BANK STANDARDS**

The property may temporarily not meet bank standards for a loan; for example, the occupancy rate of a property falls below bank standards. AFG evaluates the Borrower against this variable to determine loan suitability.



# KEY RELATIONSHIPS

## FUND MANAGERS



AFG and its affiliates service all loans and maintains our direct contact with borrowers throughout the life cycle of the loan.

## BANKING



Line of credit provided by Axos Bank enables the Avatar REIT to efficiently manage cash. Axos Bank offers a comprehensive range of innovative financial products and services with the highest level of security.

## AUDIT COMPANY



Audit services are provided by CohnReznick. With a legacy spanning more than a century, CohnReznick supports clients across 30 industries around the globe.

## ADMINISTRATOR



Verivest is a real estate investment platform designed to bring transparency and trust to middle market investing. State-of-the-art online investor services – account set-up and electronic monthly distributions.





# INVEST WITH US

## AVATAR COMMERCIAL MORTGAGE REIT LLC

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