

Credit Presentation

Date:	February 18, 2019		
Credit Union:	Aracauna Federal Credit Union		
Borrower Information			
Borrower:	7 Myriad Tower, LLC		
Address:	987 Grant Avenue Suite 955, High Falls, NY 11211		
NAICS:	531110 – Lessors of Residential Buildings and Dwellings		
Loan Information			
Loan Amount:	\$1,575,000	Rate:	4.5%
Term:	180 Months	Amortization:	300 Months
Rate Type:	Variable	Re-prices every:	Every 3 years
Index:	2 Yr CMT	Margin:	2.0%
Floor Rate:	4.5%	Ceiling Rate:	Regulatory Maximum
Loan Analysis			
Total Collateral Value:	\$2,150,00 (P/P)	LTV:	73.3%
Transactional DSCR:	1.53	Global DSCR:	2.44
Transactional Margin:	\$55,719	Global Margin:	\$166,791
Transactional Liquidity:	\$0	Global Liquidity:	\$200,000
Transactional NW:	\$575,000	Global NW:	\$1,375,000
Risk Rating Score:	3.35	Risk Rating Grade:	4 - Pass
Collateral Information			
Collateral Type:	Multi-Family	Collateral Condition:	TBD
Collateral Location:	66 Hutch Street, Highland Lakes, NY 04010 (8 Units all Residential)		
Collateral Location:	81 Tanning Avenue, Shady Grove, IA 08069 (4 Units all Residential)		
Collateral Location:	1000 Cinnamon Avenue, Athens, IA 08065 (4 Units all Residential)		
Collateral Location:	519-521 W. Broad Street, Athens, IA 08065 (7 Units – 1 Commercial)		
Collateral Location:	357 S. Main Street, Barbstown, IA 08094 (5 Units – 1 Commercial)		
Lien Type:	Mortgage	Lien Position:	1st
Individual Guarantor Information			
Guarantor:	Ebba Kristensson		
Address:	987 Grant Avenue Suite 955, High Falls, NY 11211		
CBR Score:	800	Ownership %:	100%
Guarantor DSCR:	No personal debt	Guarantor Cash Margin:	\$51,667
Corporate Guarantor Information			
Corporate Guarantor:	Ruth Trading USA, Inc.		
Address:	987 Grant Avenue Suite 955, High Falls, NY 11211		
NAICS:	424990 – Miscellaneous Nondurable Goods Merchant Wholesales		

Credit Score:	N/A	Ownership %:	0%
Guarantor DSCR:	6.37	Guarantor Cash Margin:	\$59,405
Policy			
Underwritten to Board of Directors' Approved Commercial/MBL Loan Policy dated:			3/2018

Transaction Summary

Requested Loan Discussion:

The request is for a \$1,575,000 CREM with a 15yr term, 25yr amortization, priced at a rate of 2yr CMT + 2.0% (to be set at closing, currently 4.5%, adjusting every 3rd year) to purchase 5 properties consisting of a mix of 1-4 residential and commercial properties, which has a purchase price of \$2,150,000. Two of the properties have a small commercial unit with multiple residential units.

7 Myriad Tower, LLC is a limited liability company established in the State of Iowa on 12/5/2018 to purchase, own, and manage the collateral properties. The borrower provided a certificate of formation from the State of Iowa that verifies the name as well as the effective date of filing. The company is owned 100% by Ebba Kristensson who will provide an unlimited personal guarantee. An unlimited corporate guarantee of Kristensson's affiliated company, Ruth Trading USA, Inc. will also be provided. Ruth Trading USA, Inc. is an import/export business that wholesales nondurable goods. The company is an S-Corporation incorporated in the State of New York on 9/9/2014, however it did not begin operations until 2017. The company is owned 100% by Ebba Kristensson.

Selected Entity Name: AMY TRADING USA INC.

Selected Entity Status Information

Current Entity Name: AMY TRADING USA INC.

DOS ID #: 4633376

Initial DOS Filing Date: SEPTEMBER 09, 2014

County: KINGS

Jurisdiction: NEW YORK

Entity Type: DOMESTIC BUSINESS CORPORATION

Current Entity Status: ACTIVE

Strengths:

- Collateral properties are currently 100% occupied
- Satisfactory LTV of 73.3% (to be supported by appraisals)
- Personal guarantor is debt free

Weaknesses:

- Personal guarantor has limited investment real estate/management experience
- Limited to no personal liquidity after \$600,000+- in cash equity into the purchase
- Guarantor's cash flow is dependent upon a recently established operating company
- Short-term nature of residential leases

Decision(s)

Senior Commercial Lender(s)			Loan Committee		
Approved	Declined	Grade	Approved	Declined	Grade

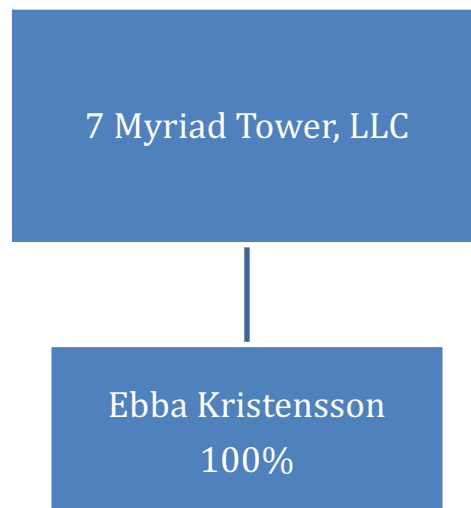
Associated Borrower Analysis (§723.4)

Borrower/Associated Borrower	Loan #	Loan Amount	Loan Balance	Unfunded Commitments	Participated Portion	Balance Outstanding	Maturity Date	Risk Rating
7 Myriad Tower, LLC	TBD	\$1,575,000	\$0	\$1,575,000		\$1,575,000	3/2034	4
						\$0		
						\$0		
Totals		\$1,575,000	\$0	\$1,575,000	\$0	\$1,575,000		
CU Net Worth as of 12/31/2018:	206,417,832	CU net worth derived from latest NCUA reported Financial Performance Report.						
Associated Borrower % of NW	0.76%							

Deposit Relationship

The proposed borrower and borrowing group represent a new relationship to the Credit Union, and it is expected that the borrower will open a business membership account.

Ownership Structure



Borrower History / Management

The proposed borrower and borrowing group represents a new lending relationship for the Credit Union.

As noted, the borrower was established to purchase, own, and manage the collateral properties and does not own any other properties at this time.

Kristensson started her entrance into the real estate world working for an appraisal company, Acme Appraisal, which provided her the exposure and experience to gain valuable knowledge about multiple facets of the real estate market. Through savings and investments, Kristensson purchased her first property, 2132 Elm Avenue, which was a 16 unit multi-family building. The property was purchased, renovated, and sold for a sizable profit, which became the working process for Kristensson's real estate investment strategy. In 2016 with her profits from selling her growing investment property, she started focusing her attention on Ruth Trading USA, Inc., which operates as an online import/export business of goods.

The proposed borrowing group offers modest management capacity and experience necessary to own and operate the proposed properties.

Purpose of Borrowing

The purpose of the proposed facility is to purchase 5 real estate investment properties consisting of a mix of 1-4 residential and commercial properties, which have a purchase price of \$2,150,000.

Sources:		Uses:	
AFCU - CREM	\$1,575,000	Purchase 5 Properties	\$2,150,000
Cash Equity*	\$605,375	Loan Origination Fee	\$7,875
		Appraisal (Est.)	\$7,500
		Other Closing Costs (Est.)	\$15,000
Total:	\$2,180,375	Total:	\$2,180,375

*It is noted that the borrower has provided evidence of \$200,000 being held in escrow at the law firm of Gold, Silver & Bronze, LLP for the purchase of the properties and that an additional \$85,000 has already been paid to the seller for a deposit on the purchase. The borrower has also provided evidence of an additional \$236,161 in a Bank of America account statement.

Financial Analysis

Statement Dates				
7 Myriad Tower, LLC			12/31/2018	12/31/2018
Ruth Trading USA, Inc.			12/31/2017	12/31/2018
Ebba Kristensson	12/31/2015	12/31/2016	12/31/2017	12/31/2018
Source	FTR	FTR	Rent Roll /FTR	Rent Roll /Co. Prep
Cash Available for Debt Service				
7 Myriad Tower, LLC			160,767	160,767
Ruth Trading USA, Inc.			70,471	171,549
Ebba Kristensson	11,983	6,109	51,667	51,667
Global	11,983	6,109	282,905	383,983
Debt Service Requirements (Note 1)				
7 Myriad Tower, LLC			105,048	105,048
Ruth Trading USA, Inc.			11,066	11,066
Ebba Kristensson				
Global	-	-	116,114	116,114
Cash Margin				
7 Myriad Tower, LLC	-	-	55,719	55,719
Ruth Trading USA, Inc.	-	-	59,405	160,483
Ebba Kristensson	11,983	6,109	51,667	51,667
Global	11,983	6,109	166,791	267,869
*Debt Service Coverage Ratio				
7 Myriad Tower, LLC			1.53	1.53
Ruth Trading USA, Inc.			6.37	15.50
Ebba Kristensson				
**Global			2.44	3.31

Note 1: Business debt service requirements consist of the proposed \$1,575,000 priced at 4.5% with a 25yr amortization and monthly P & I payments of \$8,754. Debt service requirements for Ruth Trading consist of interest expense on business credit cards.

Kristensson has no annual personal debt service requirements

**Transactional Debt Service Coverage Ratio (DSCR) measures the number of times the cash available for debt service (CADS) provided by the borrowing operating entity or rental income producing property covers the Debt Service Repayment (DSR) requirements associated with the requested loan.*

***Global Debt Service Coverage Ratio (DSCR) measures the number of times the cash available for debt service (CADS) provided by the borrowing operating entity or rental income producing property, obligated guarantor(s), and other materially related entities/individuals covers the Debt Service Repayment (DSR) requirements associated with the requested loan and all DSR requirements of the borrowing operating entity or rental income producing property, obligated guarantor(s), and other materially related entities/individuals.*

7 Myriad Tower, LLC

Financial Statements and Supporting Documentation

The following information has been provided in support of the borrower's analysis:

- Current rent roll for each of the properties
- P/L statement based on rent roll and expenses for each of the properties
- Current rent/lease agreements for each of the properties

Cash Flow Analysis

The borrower's primary source of income will be derived from rent/lease income from each of the 5 properties, which are currently 100% occupied. The borrower provided a current rent roll as well as a proforma P/L statement, which reflects all projected operating expenses for each of the properties as well as consideration of a 5% (\$14,470) vacancy allowance and 3% (\$8,279) management fee.

Based on the current leases in place the borrower is projecting total gross residential rental income of \$262,644, gross commercial rental income of \$13,380, and laundry/other income of \$5,760. Total operating costs are projected to be \$106,547, which consist primarily of real estate taxes of \$40,618, utilities of \$14,950, estimated repairs/maintenance expense of \$13,800, and insurance of \$11,200. It is further noted that the borrower has included a reserve account expense of \$6,900.

Overall, the borrower is projecting an NOI of \$160,767, which is sufficient to support the proposed annual debt service requirements of \$105,048 as evidenced by a transactional DSCR of 1.53.

Please refer to the rent roll section for additional detail on the leases.

Balance Sheet Summary

A proforma balance sheet was not provided, however one was constructed based on the purchase price of the properties and proposed loan amount. D/TNW ratio is projected to be 2.7, which compares favorably to RMA's industry median of 4.0.

Liquid Assets	Total Assets	Total Liabilities	Net Worth
\$0	\$2,150,000	\$1,575,000	\$575,000

Total assets consist of the current purchase price of the properties.

Total liabilities consist of the proposed loan.

Ruth Trading USA, Inc.

Financial Statements and Supporting Documentation

The following information has been provided in support of the corporate guarantor's analysis:

- 2016 – 2017 corporate tax returns
- 2018 internally prepared income statement

Cash Flow Analysis

The corporate guarantor's operations started in 2017 and consist of importing/exporting durable goods. During the first year of operation, the company generated total sales of \$523,555, which increased 26%, \$137,004, to \$660,559 in FY2018, based on internally prepared financial statements. GPM decreased slightly from 40.2% of sales in FY/2017 to 38.9% of sales in FY2018. Operating costs have decreased from \$113,201 in FY/2017 to \$95,466 in FY2018 and consist primarily of taxes and licenses of \$25,000, rent expense of \$10,800, broker fees of \$5,000, legal professional costs of \$7,000, and other miscellaneous expenses. The company reported \$11,066 in interest expense during the year, which is from the use of business credit cards to support working capital needs.

Overall, the company has been profitable since inception realizing a net profit of \$86,118 in FY/2017 and \$150,460 in FY2018. It is noted that Kristensson took no wages from the company in the last 2 years, however did take \$79,488 in distributions in FY/2017. It is expected that distributions were taken in FY2018.

DSR Analysis

The company appears to be utilizing credit cards to support cash flow timing differences since total interest expense was \$11,066 for each of the previous two years and total credit card debt of \$83,993 was reported at FY/2017.

Balance Sheet Summary (FY/2017)

The company's FY/2017 balance sheet as presented on the FTR did not balance. There is an unexplained adjustment to net worth of \$52,775. No internally prepared B/S was provided for FY/2018.

Liquid Assets (Cash)	Total Assets	Total Liabilities	Net Worth
\$14,870	\$182,158	\$83,993	\$98,165

Liquid assets consist of cash reserves and have not been verified.

Total assets are centered in loans receivable or due from affiliate/shareholder in the amount of \$114,513 and depreciable assets (M & E) of \$52,775.

Total liabilities consist of credit card balances of \$83,993.

As noted, the balance sheet does not balance, and net worth is stated at \$98,165 (actual reported paid in capital and retained earnings totaled \$45,390.)

Ebba Kristensson

Financial Statements and Supporting Documentation

The following information has been provided in support of the guarantor's analysis:

- 2015 – 2017 Personal Tax Returns
- AFCU personal financial statement signed and dated 12/20/2018 with SREO
- Experian CB report obtained 2/4/2019
- Supporting bank statements verifying liquidity

Cash Flow Analysis

The guarantor's sole source of income in 2017 was from K-1 distributions from Ruth Trading USA, Inc. No distributions were noted on the internally prepared statements for Ruth Trading USA, Inc. for 2018 so personal cash flow is unknown for last year. As illustrated below, gross income has fluctuated considerably over the past 3 years.

	12/31/2015	12/31/2016	12/31/2017
02/15/2019			
Wages & Salary	23,250	15,600	-
Interest income	-	49	-
K-1 Distributions - Amy Trading Usa, Inc.	-	-	79,488
Total K-1 Distributions	-	-	79,488
GROSS INCOME	23,250	15,649	79,488
Income Tax Assessment(15%*GI)	3,488	2,347	11,923
FICA/Medicare tax @7.65% of wages & salary:	1,779	1,193	-
Living Expense(GI*20% not <\$6M or > \$60M)	6,000	6,000	15,898
TOTAL GENERAL EXPENSES	11,267	9,540	27,821
CASH BEFORE DEBT SERVICE	11,983	6,109	51,667
TOTAL DEBT SERVICE EXPENSES	-	-	-
NET PERSONAL CASH FLOW	11,983	6,109	51,667

Taxable income/(loss) reported from Schedule E page II has been adjusted to zero. Actual recurring cash flow received from Ruth Trading USA, Inc. is reported above in the form of distributions. Personal expenses are comprised of federal income taxes, state income taxes, real estate taxes, personal property/other taxes, and a 20% living expense based on underwritten gross income.

DSR Analysis

The guarantor's Experian CB report from 2/4/2019 reports minimal outstanding liabilities of \$95 that is split between two credit cards. Given that the outstanding balances are below \$100, they were not included in personal cash flow or on the personal balance sheet. The borrower has no annual personal debt service requirements.

PFS Summary – AFCU PFS signed and dated 12/20/2018

DFTC, Inc. has adjusted the PFS to report closely held business assets net of closely held business liabilities. These closely held business liabilities are reported as contingent liabilities. Additional adjustments may be made to reflect asset and liability values per third party statements and credit bureaus.

Liquid Assets	Total Assets	Total Liabilities	Adjusted Net Worth	Contingent Liabilities
\$200,000	\$800,000	\$0	\$800,000	\$1,575,000

Liquid assets are comprised of cash reserves and have been verified. Total assets consist primarily of the noted liquid assets, estimated market value of the primary residence of \$250,000 (50% ownership,) and estimated market value of an investment rental property of \$350,000.

Kristensson has no personal debt or debt associated with the investment rental property.

Adjusted net worth excludes \$1,000,000 which represents the estimated value of business interests (Ruth Trading USA, Inc.)

Contingent liabilities consist of the proposed loan amount.

Guarantor Credit Report Summary

Name	Date	CB Score	30/60/90	Derogatories Noted
Ebba Kristensson	2/4/2019	800	0 / 0 / 0	None Reported

Global Summary

The following global summary encompasses the collective cash flow, debt service, assets, liabilities and net worth for the borrowing group presented in this presentation.

Cash Flow	Debt Service	Cash Margin	DSCR
\$282,905	\$116,114	\$166,791	2.44
Liquid Assets	Total Assets	Liabilities	Net Worth
\$200,000	\$2,950,000	\$1,575,000	\$1,375,000

Collateral/LTV

Collateral will consist of a 1st mortgage on 5 properties as well as an assignment of all rents/leases. Based on the proposed purchase price of \$2,150,000, LTV is projected to be 73.3%. At this point, the value of each property is unknown, however appraisals will be obtained for each property to verify and support the proposed purchase price of \$2,150,000. Below is a summary of each property.

66 Hutch Street, Highland Lakes, IA:

The property consists of 8 residential rental units. According to Zillow, the property has 1 three bedroom unit, 2 two bedroom units, and 5 one bedroom units within two separate buildings on the same lot. The estimated sale price for this property is \$599,000.



81 Tanning Avenue, Shady Grove, IA:

The property consists of 4 residential rental units. According to Zillow, the property is approximately 3,058 sq. ft. and has 4 two bedroom units. The estimated sale price for this property is \$199,000.



1000 Cinnamon Avenue, Athens, IA :

The property consists of 4 residential rental units. According to Zillow, the property has 4 one bedroom units. The estimated sale price for this property is \$319,000.



519-521 W. Broad Street, Athens, IA:

The property consists of 6 residential units and 1 detached commercial unit. Additional information on the property could not be located.



357 S. Main Street, Barbstown, IA:

The property consists of 4 residential units and 1 commercial unit. According to Zillow, the property is approximately 2,000 sq.ft. and has 1 four bedroom unit, 2 two bedroom units, and 1 one bedroom unit. The current sales price of the property is \$399,900.



Collateral Liquidation Analysis
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		In \$s	% of Collateral	% of Loan	Basis for Estimate
Current Collateral FMV		2,150,000	100%	137%	Purchase Price
Current Collateral FMV		-		0%	
Total Current Collateral FMV		2,150,000	100%	137%	
Less Liquidation Costs					
	CU owned asset discount	322,500	15%	20%	
	CU owned asset discount	-	0%	0%	
	Broker fees	50,000	2%	3%	
	Legal fees	50,000	2%	3%	
	Insurance expense	11,200	1%	1%	Actual
	Real Estate taxes	40,618	2%	3%	Actual
	Total liquidation costs	474,318	22%	30%	
Estimated sales proceeds					
		1,675,682	78%	106%	
Less Loan Balance					
		1,575,000	73%	100%	
Net liquidation proceeds					
		100,682	5%	6%	

Collateral liquidation analysis above is based on the general assumptions, collateral values and loan balance(s) available at the time of underwriting. These assumptions, values, and balances will vary throughout the life of the loan. Periodic review of the variables presented is required over the life of the loan to ensure collateral capacity.

Rent Roll Summary

The borrower provided the below rent roll information for each of the five properties. Each property is currently 100% occupied with monthly rental rates ranging from \$495 for a single 1 bedroom unit to \$1,250 for the larger 2/3 bedroom units. The commercial space in two of the buildings is minimal at approximately 800 sq. ft., which is rented at \$7.50 per sq. ft. and \$9.23 per sq. ft.

The borrower provided leases for each of the total 28 units. A review of the leases indicates that the leases are typical 12-month residential leases, with the majority expiring between 9/2019 and 11/2019. The commercial lease at 357 Main St. is a 3yr lease expiring in 2/2021 while the commercial lease at 519 W. Broad St is a 12 month lease expiring in 12/2019. Upon expiration, the residential leases either go on a month-to-month basis and/or are renewed for 12 months.

Sensitivity Analysis

A stress test analysis has been performed on the borrower's cash flow to examine how changing variables associated with the borrower's cash flow impact repayment capacity. Based on the proposed loan and the underwritten cash flow analysis, the test analysis reports breakeven cash available for debt service at \$105,048. Breakeven CADS accounts for 65.3% of underwritten CADS and provides remainder cash margin of \$55,719. The subject property appears to be modestly positioned to withstand changes in occupancy. A break-even analysis was completed indicating that the borrower could withstand a maximum total vacancy rate of 25.4% considering all 28 units. (See the accompanying "Sensitivity Analysis" file accompanying this presentation for complete analysis.)

Environmental Analysis

An environmental questionnaire was completed by the guarantor indicating no known environmental issues with any of the properties. It is suggested that the Credit Union perform their own environmental risk assessment for each of the properties.

Market Conditions

No residential market information was provided with the request. As noted, appraisals will be completed on each of the properties, which should reflect current market data for the properties.

Suggested Loan Conditions

- ☐ Assignment of all rents/leases
- ☐ Down payment/equity source and validation
- ☐ Collateral value verification as required by CU policy
- ☐ Title Insurance
- ☐ Environmental risk assessments satisfactory to Credit Union
- ☐ Certificate of Good Standing on the Borrower

Policy and Regulatory Exceptions

No noted policy or regulatory exceptions

Exit Strategy

Primary Source of Repayment – Cash flow from gross rents/leases

Secondary Source of Repayment – Cash flow from guarantor and/or additional capital

Tertiary Source of Repayment - Liquidation of collateral

Suggested Loan Covenants

Financial Reporting Requirements

Financial Statement Document	Submit by:	Acceptable Completion Level
Borrower Tax Return	Annually, w/in 15 days of filing	Tax professional prepared
Current Rent Roll	Annually, w/in 15 days of filing FTR	Company Prepared
Corp. Guarantor Tax Return	Annually, w/in 15 days of filing	Tax professional prepared
PFS/SREO/Debt Schedule	Annually, w/in 30 days of tax filing	Self-prepared
Individual Tax Returns with all supporting K-1 schedules	Annually, w/in 30 days of tax filing	Tax professional prepared

Performance Covenants

Covenant	Requirement	Frequency Measured
Minimum DSCR Post-Distribution	1.20	Annually

Risk Rating

Based on the information provided in file and the conditions and conclusion presented within the loan analysis, loan write-up, and related reports; the proposed loan is risk rated as follows subject to adherence to the loan closing conditions set forth in this presentation.

Risk Score: 3.35

Risk Categories: 4 - Pass

See accompanying credit risk rating matrix.

Certification: The loan analysis presented is based on the due diligence documentation and information, the "Loan Package", provided to DFTC, Inc. by the Lender. While DFTC, Inc. has independently reviewed the Loan Package, DFTC, Inc. has made no other third-party investigations or validations of the Loan Package. DFTC, Inc. makes no representations or warranties of any kind, express or implied, about the authenticity, accuracy, or reliability with respect to the Package that DFTC, Inc. has otherwise relied upon in good faith. DFTC, Inc. has analyzed this information using its professional expertise in preparing what it certifies to be a fair and reliable credit presentation for making the recommendations and risk assignment set forth herein.

This loan analysis has been prepared for use and consideration by management of the Lender, which has and maintains sole and absolute authority for approving or not approving this loan. In no event is DFTC, Inc. or any of its agents liable, or to become liable, for any loss or damage or any other liability associated with this loan or any parties to this loan including, without limitation, indirect or consequential loss or damage, or any loss or damage or liability whatsoever arising from approving or not approving, or funding, documenting, booking, or managing this loan. ICM