



TROPHY POINT

INVESTMENT GROUP

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Subject: Q2, 2021 Quarterly Investor Letter for Trophy Point lending fund

Dear Investors and Supporters of Trophy Point,

On a quick personal note: I was selected as a [Tillman Scholar](#)! This is meaningful to me (and you) because the focus area of my studies involve understanding how credit impacts small businesses and real estate.

As a private, real estate lending firm, we are subject to credit cycles in very nuanced ways. In the first fund I helped start, lack of available institutional credit resulted in our fund becoming immensely popular and we zoomed to \$100 million in size within 11 years as a non-institutional lender. I predict the next down-turn will actually help Trophy Point **if** we pay close attention to how and where we lend money.

I'm pleased to share that our real estate loan portfolio has exceeded \$5,000,000 in loans! We are proud to report that there are **zero defaults and we are enjoying a near 100% on-time payment rate**. By comparison, it took us four years to achieve that level on that first lending fund whereas we have accomplished this in three calendar quarters.

A moment of thanks needs to be shared with my two partners, **Nick Cosmas and David Marold**. Both dedicate an immense amount of attention to our portfolio. I've already lost count on the number of times we have chatted on zoom during late evening hours.

This would not be possible without your support as well. Borrowers talk to Trophy Point because of our stellar reputation in fulfilling our commitments and closing deals rapidly. Out of the 42 deals we have done so far, never once have we missed any closing deadlines that would have been our fault. Interestingly, we have also provided

\$1.5MM in funding to black and minority real estate entrepreneurs which we believe is an underserved segment.

Whenever I draft these investor letters, I reverse my role and ask myself what would I want to know if I were a passive investor in this fund?

The two primary questions that come to mind are: 1) what are assets minus liabilities? Meaning, do they have enough equity to cover losses and preserve my capital? And 2) what kind of deals are they doing that ensures my money is safe and the firm can pay my fixed interest rate?

Here is our balance sheet. You'll notice that our assets are far greater than our liabilities. This equity represents what myself and my partners Dave Marold, and Nick Cosmas have invested into the business.

ACCOUNTS	Jun 30, 2021
Assets	
Total Cash and Bank	\$380,717.84
Total Other Current Assets	\$5,886.49
Total Long-term Assets	\$5,347,848.84
Total Assets	\$5,734,453.17
Liabilities	
Total Current Liabilities	\$82.81
Total Long-term Liabilities	\$4,288,806.44
Total Liabilities	\$4,288,889.25

Assets = loans we have made

Liabilities = investor capital (your money)

Equity = assets minus liabilities is what Samir, Dave and Nick have invested (~\$1.4MM)

As you are aware, we would take the first loss on any bad loan before investors would take a hit. We are very much incentivized to ensure we do not make bad loans as it would come out of our pocket first!

The types of deals we are doing:

- Average loan to value: 74.2%
- Average term: 7 months
- Average loan size: \$160K.
- All borrowers have verifiable income from other sources.
- Current # loans: 33
- Average credit score: 748

What these stats tell us is that:

- 1) our loans are short term and are less susceptible to longer term market swings.
- 2) There is a great deal of margin of safety (25%) on our loans
- 3) Our loans are smaller compared to the entire pool of capital which is good since your money is spread out amongst the entire pool instead of an individual loan.
- 4) Our borrowers (90% of whom are West Point graduates) have sufficient income to cover unexpected expenses or cover our debt service which is owed monthly to us.

Our main underwriting criteria has not changed:

- Personal guarantees of all borrowers
- Lend at max 80% LTV on ARV
- Properties must be able to command market rent (even if its a flip project)
- We can easily sell a property if we somehow had to foreclose.
- Borrowers must show income from other sources (such as Army W2 wages).
- Loans must be business-purpose in nature - no owner occupied properties.

Our original thesis holds true: Competent real estate investors need to secure real estate funding quickly in order to win deals in this very competitive real estate market. Many borrowers are raving about our fast closing times and ease of doing business with us.

They are willing to pay higher rates of interest because it's far more effective to borrow from us than to get tripped up waiting for a loan closing via an online lender. In fact, we have saved many deals by stepping in at the last minute when an online lender could not close on time despite their promises.

Furthermore, lending to West Point grads yields far greater cooperation when there is a problem. We experienced two situations in which if we had lent to a non-USMA person, the episode might have resulted in litigation. However, because all parties operated off mutual trust, a simple and direct conversation resolved the issues.

I have been lending for nearly 13 years in over 100+ deals and I can tell you as a matter of fact that the character of borrowers matter a great deal more than one might think: to the point where, I as a lender, am even willing to reduce rates in order to do business with people I know to be reliable and trustworthy. You cannot find a better borrower class than the USMA crowd.

As we are growing, so does our need for more capital. **We would like you to consider investing with us.**

Why should you invest:

- You need a place to safely park cash for a period of time.
- You have a need or desire for a fixed income offering between 6-8%.
- You desire a fairly safe and above average risk adjusted return.
- We take Self Directed IRA funds to help diversify your retirement.
- You like the idea of your money being invested in fellow USMA grads.

What makes our notes low risk:

- 1st position lien on the real estate at 80% or less loan to value.
- Personal Guarantee of credit-worthy West Point graduates and/or military officers.
- Your money is not tied up in any single loan; co-mingled across the pool of loans.
- We (Samir, Nick and Dave) take the first loss on any loan that goes bad against our \$1.4MM in equity.

Our updated 12-month notes yield (payable quarterly):

8% for amounts over \$50,000

7% for amounts between \$25,000-\$50,000

6% for amounts between \$15,000-\$25,000

I'm only a phone call away if you desire to chat!

Samir Patel
Managing Partner, Trophy Point