EMERALDMEZZANINEFUND

DESCRIPTION OF THE NICHE AND MARKETS FOR EMERALD MEZZANINE FUND

Emerald Mezzanine fund, the same as its sister fund Marshall Bridging fund, has identified a niche market where significant alpha can be achieved for investors, due to several reasons:

1) Developers do not have access to loans from banks or institutions, since generally none of them lend to this niche.
2) Developers have an even higher need for financing during such moment than the bridge market.
3) Such big gap between supply of capital and demand of capital is the perfect space for any lender to be.
4) Some lenders are present, but are very expensive for the borrower, since they require strong equity kickers to their loans besides additional covenants, what ends up being too onerous for the borrower. Such lenders are local family offices
5) There's no lenders in such space, who are institutional lenders, which are always preferred by borrowers, since today a private lender may be interested in lending and tomorrow, he may turn his attention to another asset class, not being an option anymore for financing to the developer. Institutional lenders like us are preferred, giving us an advantage in similar cost/covenant terms, than current lenders which are local family offices.

The fund will enter such niche market, which is **the time when a developer has already bought a plot of land (or soon to buy) with all the permits, but he only lacks the last permit to start building his specific building, stating the number of floors, number of apartments, number of garages, green space the residential building will have among all the other details the specific residential building the developer will want to build and sell to the market**. Such permit takes, depending on the legislation, 6-21 months.

COMPETITIVE ADVANTAGE IN FRONT OF CURRENT LENDERS

There are several ways to enter a market with their own positioning, and the fund will need to adapt his entry into the market in different ways, in order to be more competitive than local family offices (our main competitors), and more adaptable to the demands the developers/promoters will have for capital.

The Manager has found several strategies in the markets we are going to, where we will be a preferred lender than the current local family offices, since we will be better adapted to enter the value chain of the developer/promoter, and significantly increase his value added: We will become another piece to be used for his value chain to build a building, which he will be able to turn on and off more freely than with local family offices financing, and with high degree of flexibility, what currently is not an option at the disposal of developers/promoters, since local family offices have quite similar ways to lend in such situations, requiring a significant piece of the equity or equity kickers. Instead, the fund will try to enter with a senior loan, which will be able to be repaid once the developer gets the permit to start building, what is going to be very short term (6-21 months) and therefore, the developer will be able to get cheaper financing than us for the full development of the project (the next 2-5 years) and not have to give equity kickers. Instead, the fund will have a senior loan with the plot of land as guarantee, same as a bank, but instead it will receive returns similar to equity, for the period of the duration of the loan, 17%-25%. This is the arbitrage the Management company has been positioning himself for the last 2 years in several markets and developing the local know-how: To exchange increased security with high interest (senior loan), with a cancelable feature (short term/no equity quickers).

The Manager already applied this strategy (as well as other bridge lenders in the market) with the Marshall Bridging fund, and we will do the same, on an improved manner, with Emerald Mezzanine Fund.

EXISTANCE OF SUCH NICHE IN MANY MARKETS

The fund will not look to apply the strategy in all countries, since different types of legislation bring additional risks to the loans. Therefore, the fund is focusing to provide loans in EU based countries where the legislation favors the fund's clarity in obtaining the permits, and in such regards the fund has started with Spain, Luxembourg and Germany, as well as potentially in the future with UK, since such countries allow the fund to have a good understanding if the local municipality will provide the permit for the project once requested, or not, since the local regulations in place are quite clear on the requests and execution possibilities the owner of the plot of land requesting the permit to build has.

Other countries like France, such regulations leave significant margin to the town, to decide one way or the other on projects, and therefore in such countries where clarity is not provided and the politicians can have a big influence in the outcome of the permit request, will not be favored.

There are other countries today the fund is looking to expand to, but is not yet a reality like Finland and Sweden.

STRONG BARRERS TO ENTRY

One of the variables why we have been interested in such niche, is because competitors will not be able to compete as easily with us. If we compare the "bridge market" with the "permit seeking market", the fist one only needs real estate know-how, which is a type of knowledge which is quite accessible. In exchange the "permit seeking market" the type of know-how is not so readily available and requires different types of knowledge (not easily accessible) on top of the real estate knowledge.

The advantage of the permit seeking loans, is that not only such real estate knowledge needs to be present, but a second source of knowledge to understand if the local municipality will accept such permit request, and such knowledge is not as readily available as the standard real estate knowledge, and thus, we expect the competition will not grow as fast as it has in the bridge market, since the access to know how will not be readily accessible.

The more barriers of entry when we are already lending, the more long term sustainable our rates of return will be, because borrowers used already to our underwriting guidelines and performance, will not shop around as easily.

We also believe the potential growth of this "permit seeking loans" for our fund, may become bigger than the standard bridge market, since the supply of bridge lenders can grow easily due to being easier to get real estate knowledge, but in exchange the supply of capital into the permit seeking loans will be limited to the capacity to obtain proper know-how to understand such permit requests, and therefore, the number of suppliers in the future in the "permit seeking loans" we expect to grow much slower than it has the competition of suppliers of financing
in bridge lending market.