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**Real Estate Development  
and Construction Financing**

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JEMS Financial is a privately owned and operated commercial finance company endeavoring to develop a portfolio of real estate secured loans. These loans are available for acquisitions, construction financing or bridge loans. JEMS' loan criteria is asset based and focused on the value of the underlying real estate. The JEMS financial team possesses extensive development, construction and financing experience and expertise that they are able to apply to loan evaluations and administration making JEMS uniquely qualified to succeed in a highly competitive market place. JEMS has a proven track record of closing successful loans and providing consistently high returns to investors.

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## COMPANY OVERVIEW

JEMS principals are Richard Olstein, Michael Staiti and Leonard Jolles. Collectively, this group has over sixty five years of real estate and finance experience and possesses expertise in all facets of real estate development. Through their property management company, WRT Management Corporation, they oversee all aspects of a commercial/industrial real estate portfolio totaling in excess of 4 million square feet of space. In addition to their ownership roles in the properties, they handle all leasing, financing and tenant improvements as well as daily property management.

Keystone Development Corporation, their land development and construction company, has been active in residential development for many years and currently maintains an annual residential sales volume in excess of \$10 million. Keystone manages all aspects of development including design, permitting, construction and marketing. Keystone has its own construction and marketing personnel and handles all of these tasks in house. Keystone's development experience is extensive and includes land and infrastructure development, luxury single family homes, and multi unit condominium communities.

JEMS' principals also possess extensive backgrounds in financial services and accounting. Mr. Staiti holds an MBA from the University of Michigan and received his CPA in 1993 after working for Price Waterhouse. Mr. Jolles holds an MBA from Columbia University and has professional experience in banking with an expertise in commercial lending.

The above qualifications make the JEMS team uniquely qualified to succeed in the real estate lending business. JEMS is able to apply their proven expertise in residential development to their evaluation and administration of financing opportunities. They are able to perform site evaluations and review construction plans, specifications and budgets with the benefit of this expertise. These reviews help to ensure the feasibility of a loan and to confirm a proposed development is reasonable from a design, marketing and economic standpoint. Furthermore, JEMS is able to perform their own construction inspections to monitor construction progress and to ensure that the ratio between work completed and funds disbursed remains in balance. Often times, it is difficult to evaluate the progress of construction in the field as it corresponds to budgets and proformas. However, JEMS has the expertise to make these evaluations to help ensure the construction progress remains consistent with the loan disbursements.

JEMS consistent presence in the marketplace in both a financing and development capacity affords them an intimate familiarity with current land and housing values, as well as market competition and future trends. JEMS is constantly analyzing real estate opportunities as well as directly experiencing market conditions in their ongoing projects. JEMS draws on all of these resources in making loan approval determinations.

Finally, in the event of a loan default, JEMS has the construction personnel and subcontractor and vendor resources to complete the construction and bring a project to fruition in a cost effective and timely manner. In similar circumstances most financing companies are forced to auction a foreclosed property to the highest bidder. Often times construction may be only partially complete or the property may be in poor condition making it difficult to recoup the full value of the loan. JEMS' ability to complete the project and bring it to market at full value will help protect investors and insure their equity in an investment.

JEMS' confidence in their success is evidenced by the substantial personal investment each JEMS principal has made in the company. JEMS hopes to share this success with qualified investors interested in capitalizing on this real estate investment opportunity.

## **INVESTOR PARTICIPATION**

Investors in JEMS receive participation in a specific loan or loans and have an interest in the mortgage proportionate to the amount they have invested versus the total loan amount. Investor's rate of return is consistent with the interest rate of the loan in which they are participating currently 13%. Financing fees are retained by JEMS as profit and overhead. JEMS issues Participation Agreements to investors evidencing their investment in a specific loan and investors will receive monthly interest payments as they are received from borrowers. Principal will be returned to investors as loans are repaid or may be re-invested in future loans.

Typical loan terms and criteria include:

Loan to value:	70% or less (60% if new construction)
Term:	9 months
Rate:	13%
Points:	3
Security:	First mortgages only
Other:	Personal guarantees are required All loans with same borrowers are cross collateralized

## **LOAN EVALUATION AND ADMINISTRATION**

The majority of JEMS' loan requests are generated through their existing network in the real estate community. Attorneys, engineers, vendors and suppliers all provide referrals to JEMS. In addition helping to establish a client base, these referral based clients have the advantage of being know to the referring agents and having established reputations as reliable and respected members of the business community. Obviously, JEMS has a higher comfort level in providing financing to such customers as they have many common trade references that JEMS can easily review. In fact in many instances other businesses such as lumber yards will participate in loans with JEMS or will provide additional second mortgage financing demonstrating their confidence in the performance of the borrower and the project.

Once JEMS receives a loan request there are a series of evaluation procedures that are initiated.

### **1. Market Analysis:**

JEMS will analyze the specific market in which the loan will exist. This analysis will take into consideration comparable sales and current property listings. In addition, JEMS requires current independent "As Completed" appraisals for every loan.

### **2. Site Review:**

JEMS will conduct a site inspection to ensure its suitability for the proposed construction and to identify any site specific characteristics that might impact marketing or construction budgets. Land characteristics might include wetlands, ledge, severe grade changes or undesirable surroundings. Building inspections consider architectural and engineering conditions as well as the feasibility and marketability of proposed construction and/or renovations. JEMS has dealt with all of these circumstances on a repeated basis and has an understanding of the affect they may have on a development. It is important these contingencies are reflected in marketing and construction proformas.

### **3. Plan and Specification Review:**

JEMS requires all loan applicants to submit copies of plans and specifications for the homes they intend to build or renovate. JEMS reviews these plans and specifications to ensure they are consistent with the market in which they will be built as well as with the proposed end value of the property. JEMS further confirms that all necessary permits and approvals are in place for the proposed project. The relationship between product and price is obviously integral to the success of a project. JEMS is able to draw on its current and past market experience to confirm that proposed projects adequately address this relationship.

#### **4. Construction Budget Review:**

All loan applicants submit a detailed construction budget identifying by line item the cost of each component of the home they intend to build or renovate. JEMS reviews these budgets in detail to ensure the costs are reasonable based on the proposed plans, specifications and site characteristics. This construction budget will form the framework for loan disbursements as a development progresses. If the format of the construction budget does not properly conform to the manner in which construction will proceed in the field, it becomes difficult to maintain the loan to value ratio. Through their knowledge of the construction progress, JEMS is able to ensure budgets are properly established.

## JEMS Financial Summary of Current Loans

<u>Loan address</u>	<u>Loan amount</u>	<u>LTV%</u>
169 Southbridge St	\$ 37,500	42%
1 1/2 Ledge St	\$ 45,000	45%
54 Bennett/15 Ward,Woonsocket	\$ 162,000	40%
29 Hillside, Johnston RI	\$ 120,000	59%
Huldah St, Providence RI	\$ 107,000	63%
326 Douglas Ave, Providence	\$ 103,900	52%
Blanche St, Worcester	\$ 103,000	47%
123 River Street, Providence	\$ 95,000	53%
Chelsea Rd, E Boston	\$ 290,000	40%
137 Brooks, E. Boston	\$ 130,000	52%
102 Granite St, Fitchburg	\$ 130,000	61%
21 W Millbury St, Sutton	\$ 171,000	49%
38 Arlington St, Worcester	\$ 114,500	55%
57 Bowdoin St, Providence	\$ 77,000	42%
Waverly, Providence	\$ 70,000	38%
35 Gifford St, Providence	\$ 90,000	49%
36 Gifford St, Providence	\$ 71,000	40%
66 Loughton St, Lynn	\$ 100,000	48%
Chatham St, Worcester	\$ 161,500	58%
199 E. Havehill St, Lawrence	\$ 138,000	48%
366 Blackstone St, Providence	\$ 47,000	31%
12 Auburn St, Haverhill	\$ 73,000	41%
98 Clarendon , Fitchburg	\$ 109,500	59%
47 Paradis Ave, Woonsocket	\$ 37,000	26%
112 Julian St, Providence	\$ 330,000	58%
24 Andem St, Providence	\$ 55,000	50%
25 Poplar, Lawrence	\$ 95,000	50%
412 Cedar St, Manchester NH	\$ 154,000	53%
50 King St, Hartford	\$ 135,000	52%
1301 Pleasant St, Worcester	\$ 136,000	46%
132 Lowell Ave Providence	\$ 98,000	59%
<b>Total loans outstanding</b>	<b>\$ 3,585,900</b>	
<b>LTV Simple Average</b>		<b>49%</b>

# JEMS Financial

## Summary of Closed Loans

Property	Origination Date	Payoff Date	Loan Amount (\$pd out)	Payoff Amount	Interest Received **
LOT 1A, Mystic Valley 2004-003	12/20/2004	08/31/2005	499,000	499,000	29,280
Lot 2A Mystic Valley LN 2004-002	12/20/2004	11/22/2005	497,600	497,600	46,320
Lot 6B, Mystic Valley CMB 2004-001	12/20/2004	06/19/2006	493,500	493,500	73,565
Lot 1, Mumford Rd, Douglas 2005-002	01/10/2005	08/31/2005	293,500	293,500	15,925
Lot 2 Mumford Rd, Douglas 2005-001	01/10/2005	11/11/2005	288,000	288,000	22,580
Lot 2 Forsythe Farm, Northbridge 2005-003	01/12/2005	02/02/2006	342,061	342,061	30,870
Lot 3 Mumford St Douglas 2005-005	02/03/2005	06/28/2006	271,200	271,200	40,876
Lot 4 Mumford Street, Douglas 2005-004	02/03/2005	05/31/2008	260,900	260,900	38,376
2 Ridge Hill, Sturbridge 2005-006	03/21/2005	10/31/2005	219,900	219,900	11,836
1008 Upper Maple - 2005-007	05/06/2005	06/15/2006	167,995	167,995	7,356
1040 Upper Maple - 2005-008	05/31/2005	08/31/2006	27,700	27,700	758
Lot 4R Maple Street, 2006-002	07/28/2005	03/07/2007	301,098	301,098	15,472
Wildwood Circle, Worcester 2005-010	09/29/2005	11/02/2007	475,500	475,500	83,999
Lot 1 Sutton Street, Northbridge 2005-012	11/03/2005	07/17/2006	301,500	301,500	17,865
Lot 2 Sutton Street, Northbridge 2005-013	11/03/2005	07/31/2007	288,488	288,488	19,586
2A Arcade Street, Northbridge 2005-014	12/29/2005	07/25/2006	172,000	172,000	11,333
2B Arcade Street, Northbridge 2005-015	12/29/2005	08/30/2006	172,000	172,000	9,086
Lot 1 S E Main Street, Douglas 2006-001	02/23/2006	07/25/2006	208,000	208,000	9,336
Henry Marsh, Sullivan Blvd.	03/14/2006	01/09/2007	200,250	200,250	20,000
Henry Marsh, #85 2006-HM	04/24/2006	01/09/2007	124,500	124,500	8,020
Henry Marsh, #86 - Unit A 20065-HM	05/08/2006	12/27/2006	125,500	125,500	8,020
Lovell Street, Worcester 2006-005	05/09/2006	04/04/2007	605,335	605,335	34,172
21 Beeching Street, Worcester 2006-006	05/11/2006	03/13/2008	470,000	450,000	34,914
Border Street, Northbridge 2006-007	06/29/2006	10/15/2007	431,083	431,083	73,881
Border Street, Northbridge 2006-008 #110	11/17/2006	07/05/2007	342,685	342,685	24,563
Victoria Lane 10-12 2007-001	02/16/2007	04/01/2008	482,291	482,291	127,251
56 Lakeside Drive, Shrewsbury 2007-003	05/24/2007	07/30/2007	248,000	248,000	6,755
Dresser Hill Rd, Dudley, 2007-005	12/17/2007	09/01/2008	100,000	100,000	5,360
Cormans Rd, Wayland 2008-002	04/29/2008	11/21/2008	340,000	340,000	24,006
Delmont Street, Worcester 2008-003	05/01/2008	11/26/2008	316,500	316,500	19,105
Sand Pond Rd, Warwick, RI 2008-006	07/31/2008	11/10/2008	115,000	115,000	5,151
Providence Realty 2008-018	12/04/2008	12/30/2008	1,234,000	1,234,000	6,238
Asylum St, Warwick RI 2008-008	05/15/2008	02/18/2009	130,000	130,000	16,524
Eliza St, Providence RI 2008-005	07/25/2008	03/11/2009	110,000	110,000	6,040
Lot 3 Maple Street, Douglas 2005-009	07/28/2005	n/a	126,520	95,000	17,681
Barstow St Providence 2008-011	10/20/2008	03/11/2009	104,000	104,000	9,515
106 Clarendon, Fitchburg	02/23/2009	03/16/2009	110,000	110,000	497
238 Amherst St, Providence	08/06/2008	03/20/2009	<u>91,000</u>	<u>91,000</u>	<u>7,600</u>
<b>Total</b>			<b>11,086,606</b>	<b>11,035,086</b>	<b>939,712</b>

**\*\*Investors received 12-13% interest during the period reflected above.**

