Vol. XVIII

A PRIVATE INVESTMENT MEMORANDUM · FOR ACCREDITED INVESTOR REVIEW ONLY

The Return on Equity Awakening.

A briefing for thoughtful private capital.

Why a private second-position note at 8.00% APR, written against a stabilized multifamily asset by an operator who has run a 100% repayment book for fourteen years, may be the quietest income decision of your decade.

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What This Memorandum Contains

II. THE ELEPHANT IN THE ROOM

If you have never met me, this memo is not for you yet.

Private lending under Rule 506(b) is a relationship business. The law requires it, and so does common sense.

You should not wire money to a sponsor you have not spoken with, watched operate, or had a thirty-minute call with. This document is a written companion to a real conversation — a way to put the math on paper so the call itself can be used for what calls are uniquely good at: judgment, character, fit.

If we have not yet spoken, please book thirty minutes at **CallGualter.com** before you treat anything in this memorandum as actionable.

> *A sponsor who would borrow your money before they would meet you is a sponsor you should not lend to.*

III. THE DIAGNOSIS — LAZY EQUITY

Most affluent households are quietly losing income to capital that is sitting still.

The four most common patterns I see across the accredited households I speak with each month:

- **Trapped home equity.** A primary residence with $400K–$1.2M of equity earning 0% income while the mortgage is paid down at 3.0–7.5%.
- **Idle retirement liquidity.** Cash, money-market, and short-duration Treasuries earning 4–5%, hedged against an inflation print closer to 6–7% in the categories families actually spend on.
- **Post-sale liquidity in suspension.** A business owner who closed an exit eighteen months ago and still has 30–60% of proceeds parked in cash because no obvious next deployment surfaced.
- **Concentrated public equity.** A single ticker (the company they retired from, or a long-held growth stock) representing 25–60% of net worth, with a return profile that is volatile and entirely uncorrelated to operational discipline.

None of these are character flaws. They are symptoms of having spent twenty or thirty years building something — and being too busy operating it to actively manage what you accumulated.

> *If your equity is paying for itself instead of paying you, the equity is the problem statement, not the solution.*

IV. THE FRAMEWORK — RETURN ON EQUITY

Return on Investment is a memorial. Return on Equity is a verdict.

Return on Investment tells you what your original cash earned. It is a historical number — accurate, but already in the past. It is the engraving on the headstone of a transaction.

Return on Equity tells you what your *current* equity is earning *today*. It is the only number that decides whether your present capital allocation is still working or has quietly drifted into preservation mode.

ASSET	CURRENT EQUITY	CASH INCOME / YR	ROE (TODAY)
Primary residence (paid down)	$650,000	$0	0.0%
Long-held growth stock	$420,000	$2,100 dividend	0.5%
Money-market account	$280,000	$12,600	4.5%
Stabilized multifamily (LP)	$200,000	$16,000	8.0%

Sum the column on the right. The portfolio's blended ROE is what it actually pays you while you are alive — not what it might be worth at some imagined liquidation event.

V. THE MACRO WINDOW — SILVER TSUNAMI

The next decade is statistically the largest transfer of small-multifamily ownership in American history.

Roughly 40% of U.S. multifamily units between 5 and 99 doors are owned by individuals over the age of 65. The properties are typically run conservatively (under-rented, under-amenitized, under-staffed) because the owner is winding down operational complexity — not optimizing yield.

That generation is now selling. They are selling to whoever has the operational capacity to take over a 20-year-old asset and bring it to current rent without breaking it. There are not many such buyers, and the gap between asking and value-add NOI is the cleanest source of repeatable double-digit operator returns I have seen in fourteen years.

I am not predicting this trend. I am buying inside it. The note you would write secures an asset already participating in it.

VI. THE SPONSOR

Fourteen years. 655 units. $36M under management. 100% lender repayment.

I bought my first building in 2012 — a four-unit in Massachusetts — with a single private lender and a renovation budget I had estimated three different ways. I have been operating multifamily continuously since that month, and I have been writing privately-held promissory notes to people I know and have built relationships with for nearly that long.

Today the operating book is 655 units across four states, $36M under management, with a private-lending ledger of 43 active notes and a 100% principal repayment rate to date. Those are not marketing numbers; they are reconciled to bank statements and to each lender's monthly ACH receipts.

What I have *not* done is grow the lender book aggressively. The list is short by design. I take on a small number of accredited investors per year, exclusively people I have met or who have come through trusted relationships. The current page you are reading is the formal version of the conversation we would have, not a substitute for it.

VII. TRACK RECORD

Numbers tell the story words cannot.

METRIC	FIGURE	NOTES
Active operating units	655	Across four states, value-add to stabilization track
Assets under management	$36,000,000	Reconciled property-by-property quarterly
Years operating multifamily	14	Continuous since 2012; never a year off-line
Active private notes	43	Ranging from $50K to $500K; weighted avg term 28 months
Private capital deployed (lifetime)	$4.97M	Across multiple cycles, including 2020 and 2022
Lender principal lost	$0	Including notes that came due during distress windows
Late payments to lenders (lifetime)	0	Every monthly ACH on the contractual due date
Coverage ratio (lender principal / operator equity)	~1.4×	Personal multifamily equity sits behind lender principal

All figures as of the most recent quarter end. Updated SREO and lender tracker (anonymized) provided on diligence call.

VIII. PORTFOLIO MATURATION

Buildings move from value-add to stabilized. Lender risk falls every quarter.

Most private lenders are introduced to a sponsor mid-way through the messiest part of the operating cycle — the rehab year of a value-add property. By the time you are looking at writing a note today, the underlying assets behind the note are typically in their second or third year of stabilization. Occupancy is settled, rents are at market, capital expense is forecastable, and operating expense ratios are inside a tight predictable band.

This is the inverse of the typical private-credit risk curve. Most private lending in the syndicated world is written against properties at *acquisition*. The instruments described here are written against properties at *stabilization* — when the operating data has already proven what the underwriting promised.

IX. THE ARBITRAGE PROOF — FOUNTAIN COMMONS

Fountain Commons borrows at 7.25%. It lends out $700,000 at 12%.

Fountain Commons is the longest-held asset in the operating portfolio. Its first-position commercial mortgage carries a 7.25% rate. Its current secondary financing program — to qualified internal counterparties — is priced at 12.0%.

That spread is the operator's labor, not the lender's risk premium. It is the cleanest possible illustration of why an 8.00% second-position note, paid out of the same cash flow that comfortably covers the senior 7.25% mortgage, is in fact a structurally conservative position.

LAYER	RATE	POSITION
Senior commercial mortgage (lender of record)	7.25%	First lien
Your private note (proposed)	**8.00%**	**Second lien**
Internal secondary financing program	12.0%	Operator-internal

Stated plainly: the asset already pays a 12% counterparty out of the same cash flow that would pay your 8% note, while comfortably servicing the senior 7.25% lender on top.

X. OPERATIONAL BACKBONE

The boring infrastructure is what makes the eight percent boring too.

- **Independent property management** on every asset — a third-party fiduciary collects rent and reports financials, not the operator.
- **Quarterly bank-reconciled financials** to every lender, generated from the property-management software, not from a spreadsheet.
- **Securities counsel of record** issues every promissory note, deed of trust, and personal guarantee on uniform document templates we have used since 2018.
- **Operator personal financial statement** updated annually and shared on diligence call with current FICO and SREO.
- **Lender tracker** showing every active note (anonymized), maturity date, current balance, and payment history — provided on call.

XI. THE INSTRUMENT — NOTE TERMS

An 8.00% second-position note, secured by a named multifamily asset.

Interest rate (APR)	8.00%, simple interest
Term	24 to 36 months, lender's choice
Payment cadence	Monthly ACH on the contractual due date; principal at maturity
Minimum principal	$100,000
Position	Second-position deed of trust
Collateral	A specific named multifamily asset, identified in writing in your note
Personal guarantee	Yes — personal recourse to the operator
Reporting	Quarterly bank-reconciled financials on the underlying asset
Exemption	Rule 506(b) of Regulation D · accredited investors only · pre-existing relationship
Documentation	Promissory note, deed of trust, personal guarantee — issued by securities counsel

XII. HONEST RISK DISCLOSURE

What can go wrong, and how the structure protects you when it does.

RISK	MITIGANT
Property-level cash-flow disruption	Personal guarantee plus operator's other operating cash flows; eight prior years of 100% lender repayment under varied conditions including the 2020 and 2022 stress windows.
Senior lender forecloses	Second-position deed of trust gives lender notice and statutory rights to cure; lender tracker shows active asset-level coverage ratios.
Operator illness / inability	Operating partner remains in place; independent property management is the day-to-day operating chain, not the operator.
Interest-rate environment shifts	Note rate is fixed at issuance; principal is locked for term length you choose.
Real-estate market correction	Note is collateralized against a specific stabilized cash-flowing asset, not a portfolio at acquisition.
Liquidity	Notes are illiquid; principal returns at maturity. This is not a substitute for cash you will need before maturity.
Regulatory	506(b) compliance — relationship-based, no general solicitation. This memorandum is informational only.

Past performance is not a guarantee of future results. The mitigants above are real, named, and verifiable on a discovery call. They are not, however, guarantees that no future loss can occur.

XIII. NEXT STEPS

A four-step path from this memo to your first interest payment.

STEP	WHAT HAPPENS
01 · Discovery call	Thirty minutes by phone or video. Your questions, my answers, no slide deck. Book at **CallGualter.com**.
02 · Open-book diligence	I send my SREO, FICO, lender tracker (anonymized), and the specific property securing your proposed note.
03 · Documents & funding	Securities counsel issues the promissory note, deed of trust, and personal guarantee. ACH wire on close.
04 · First interest payment	Monthly ACH on the contractual due date. Quarterly bank-reconciled statements thereafter.

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