

KC Capital Fund LLC

Offering Memorandum
Restated January 01, 2020



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K&C Investments Inc. presents
KC Capital Fund, LLC



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TABLE OF CONTENTS

- I. Executive Summary
 - Fund Overview
 - Targeted Investor Return
 - Key Objective
 - Managing Member

- II. Financial Analysis
 - Foreclosure Market
 - Loan to Value Ratio
 - Properties and Borrower Description
 - Lending Process

- III. Management Team
 - K&C Investments Inc.-Managing Member
Quality Property Management
Laura Morales
 - Partners
 - Wadot Capital, LLC
 - Rain City, LLC
 - Premier United LLC

- IV. LLC Agreement

- VII. Subscription Agreement

EXECUTIVE SUMMARY

KC Capital Fund LLC

Fund Overview:

KC Capital **Fund**, a California LLC (“KCCF”) has the primary purpose to loan unsecured money to **K&C Investments Inc. (which owns KC Capital, a Washington LLC). However, K&C Inc has security through its first deeds of trust and investments in companies and real estate development that create safety for KCCF investors.**

- KC Capital is a shell entity that was formed as a Washington business which is required for banking, borrowing and lending in the Seattle market place.
- KC Capital is owned by K&C Investments Inc.
- K&C Investments Inc is a California Corporation that has been in business since 2000 and is owned equally by Mark Kramer and Michael Caldwell.
- Mark and Michael have been doing business in the Washington and Oregon Markets since 2009 and have consistently delivered returns of 8%-11% to investors.
- K&C Investments Inc. is the Managing Member of KCCF.
- All Deeds of trust will be held by KC Capital
- All liabilities including the existing \$3 million dollar line of credit are held by KC Capital. This number will vary.
- The current line of credit is secured by specific real estate in the portfolio. While KC Capital has first deeds of trust, it is subordinate to the line of credit. The additional leverage provides an opportunity to improve profitability and liquidity to investors. The line of credit is signed for and personally guaranteed by Michael Train Caldwell and Mark Kramer for the benefit of KC Capital and ultimately KCCF investors who profit share with K&C Investments Inc.
- KC Capital will operate doing the following:
 1. **Use funds to loan on Single Family Residence construction in California.**
 2. Attain well secured loans that are in first lien position.
 3. **Fund non-residential loans (commercial/other)** when Managing Member determines capital is well protected and earning potential is favorable.
 4. Construction lending in Washington, Portland and other key areas approved by Managing Member.
 5. On rare occasions loans may be funded as 2nd deeds of trust when Managing Member determines capital is well protected and earning potential is favorable.

6. Funds may be used to purchase distressed or undervalued real estate that can be flipped for profit.

KCCF currently has more than \$27,000,000 of investor/member funds as of 01/01/20 and could grow to greater than \$40,000,000 in 2020 (depending on the needs of the company). Investors will be added to this fund as the need for additional capital occurs and at the Managing Member's discretion.

Quarterly distributions to investors will take place approximately two weeks after each quarter has concluded. Proceeds are distributed in the following priority

- This amount is equal to a **7% rate** between KC Investments Inc and KCCF.
- Any amount beyond the preferred return and AM fee is calculated at year end and split 50/50 to KCCF members. This occurs no later than the first quarter of the following calendar year.
- Investor initiated termination will eliminate any accrued profit over the preferred return. Profit will only occur based on investor balance that is in the fund through year end or at the time of distribution.

One of the great uniqueness's of KCCF is that investors can terminate their investment with written notice. Funds will be returned based on availability. Since 2009 we have successfully returned money to investors within a two week period. Loans are typically short term, resulting in regular liquidity which allows us to return money easily.

This liquidity component will change as the fund invests in construction projects and reduced use of the line of credit which could result in a slower turnaround of returning requested investor capital.

Targeted Investor Return: *The targeted investor return over a 1 year period is 8%-10% after Fund expenses. (KC Capital has limited expenses but does include a 1% asset management fee and a Senior Accountant). This will be achieved with a variety of loan types and a low cost line of credit from Columbia bank.*

Key Objective:

The fund objective is to make well secured loans to qualified borrowers, while utilizing low interest bank leverage that results in solid cash flow with profit beyond the preferred return to our investors. The fund will find other real estate related investments including investing in our partner brokerage company and developing real estate projects to keep money working and generating healthy returns to the fund.

We have established key partnerships with real estate professionals including sales agents, loan brokers and contractors. We work to continuously understand the various real estate markets of our lending focus, including those in Washington, Oregon, California and others. We pay particular attention to the legal process and real estate trends that match our low risk tolerance business model.

Managing Member:

K&C Investments, Inc., a California Corporation, will serve as the Managing Member for KCCF. Mark Kramer and Michael Caldwell, owners of K&C Investments, Inc., are experienced with managing private equity, real estate flips and providing private money lending. Both Mr. Kramer and Mr. Caldwell have invested in and/or have provided loans for a multitude of properties and funds which have generated safe long term cash flow to investors. This has been accomplished while achieving liquidity through the regular turnover of loans in the portfolio. Mark and Michael have also successfully acted as Developers completing a 76 Single Family Residence project in Hawaii which generated a 20% IRR for investors.

FINANCIAL ANALYSIS

K&C Investments Inc. presents
KC Capital Fund LLC

Financial Analysis:

KC Capital will provide loans to qualified borrowers in order to purchase or build homes in our markets of interest. The fund amount may change at the Managing Member's discretion. Typical terms of these loans are for 6-12 month periods at an annualized interest rate of 10-12%. We expect to net at a minimum of 7% to the members as a preferred return after operating expenses. This is equal to the loan rate from KCCF to KC Investments Inc. As previously noted, higher returns may be achieved through the effective use of bank leverage, low overhead and higher yielding construction lending to companies like Premier United.

Our analysis of property loans includes a review of options in the event of default. K&C Inc has been lending through multiple entities in this market since 2009 and has consistently achieved the minimum preferred return with a negligible amount of defaults.

K&C Inc. successfully funded more than \$200 million in loans over the last five years. The portfolio performance exceeded the preferred return each year. The lending segment has become more competitive in recent years causing KC Capital to be creative via lending to California builder Premier Homes.

Foreclosure Market:

Overview: The acquisition of residential properties throughout the foreclosure process has long been an option for real estate investors to profit. The opportunities for acquiring properties during this process include:

Pre-Foreclosure: Purchasing a property in pre-foreclosure involves approaching the borrower/owner and offering to buy the property outright. The borrower/owner can walk away with something to show for any equity in the property and avoid any long term damage to their credit history. During this process, buyers generally have time to research the title and condition of the property, and if negotiated correctly, may yield discounts of 40% below market value.

Auction: If a borrower/owner's loan is not reinstated by the end of the pre-foreclosure period, investors or buyers may bid on the property at a public auction. Buyers often are required to pay in cash at the auction and may not have much time to research the title and condition of the property beforehand; however, a public auction often offers some of the

best bargains and avoids the unpredictability of dealing directly with the borrower/owner.

Bank-owned/REO: If a lender takes ownership of the property, either through an agreement with the owner during pre-foreclosure or at the public auction; the lender will usually want to re-sell the property to recover the unpaid loan amount. The lender will then typically clear the title and perform needed maintenance and repair, however, the potential bargain for these REO homes is typically less than a pre-foreclosure or auction property.

Construction:

We provide hard money construction loans that are utilized to construct buildings and improve real property with the land improvements acting as collateral for the loan. We fund developers/builders with extensive experience and resources to take a project from start to finish. We offer competitive rates on almost any type of commercial hard money loans for real estate or residential development that cannot be funded by the traditional lender. Each hard money construction financing scenario is unique and we modify every loan to meet the borrower's specific financing needs. We have developed creative ways to invest with some Construction projects that can yield a higher return to our investors.

Loan to Value Ratio:

The Loan to Value Ratio for these properties is *targeted at or below 70%* of market value.

Properties and Borrower Description:

1. **General Description:** KC Capital will provide loans to qualified borrowers to purchase properties. There will be some variance in specific locations and loan types. The information below are general guidelines that may vary depending on the judgement of the broker.
2. **Underwriting Guidelines**
 - a. A minimum of four months of interest expense reserves are required of borrower.
 - b. Industry standard credit scores
 - c. Approved loan amount is based on borrower's liquid assets.
 - d. Employment verification
 - e. Approvals are good for 120 days.
 - f. Loan to values will be targeted below 70%.
3. **Typical Loan Description:**
 - a. Typical loan amounts range from \$100,000 to \$500,000

- b. Loan to Value at 70% of market value
- c. Buyer is required to put a minimum of 15% down
- d. Interest rate is usually 9-12%
- e. Term of Loan is generally 6-12 months, interest only
- f. Points are charged and paid to the broker
- g. Other fees include processing/document prep, recording and title fees which go to the broker
- h. There are no pre-payment penalties
- i. All qualifying of potential borrowers as well as loan documents are prepared by the broker (see lending process below)

Lending Process for Properties Acquired at Auction:

We have implemented the following processes to ensure all loans are properly underwritten and funded for properties acquired at auction.

1. A title search is performed to ensure there are no additional liens that will affect the Company's 1st lien position.
2. Borrowers are required to submit a list of properties and maximum bid price for each property before final approval by Wadot Capital.
3. Borrowers are typically present at auction with a minimum of 15% of their maximum bid (based on Wadot Capital's approval of the property) in certified funds.
4. KC Capital, LLC is vested on title with the borrower to ensure the Company's security of the property until the Trustees Deed is delivered.
5. Borrower signs loan docs same day of funding.
6. Once the Trustees Deeds is received and recorded-KC Capital, LLC's documents record simultaneously.
7. KC Capital, LLC will submit Original Note & Deed, Final Title Insurance and Hazard Insurance to Columbia Bank for collateral used from banks line of credit.
8. Completed and signed loan application is required for loan approval.
9. Verified assets from financial institutions
10. Signed Loan Agreement

THE MANAGEMENT TEAM

K & C Investments, Inc., Presents
KC Capital Fund LLC

K&C Investments, Inc.: K&C Investments, Inc., a California corporation, is a private holding company owned and operated by Mark Kramer and Michael Caldwell. The company has been formed to raise funds to acquire and operate multifamily, commercial properties and new developments. Additionally, the company provides hard money loans and acquires cash flow businesses as part of its portfolio and commitment to finding strong returns for investors. K&C Investments, Inc. supports the mortgage financing, real estate brokerage and property management aspects of these transactions to maximize returns on investment.

**Quality Property
Management:**

Quality Property Management, aka QPM, is the management company managed by Gia Kramer. This company was formed to maximize profits of properties (those owned by Mr. Kramer and Mr. Caldwell as well as existing and future K&C Investments, Inc. properties) via personal management of expenses and rental income. QPM has successfully identified key properties for acquisition at below market cost with significant rental upside. QPM has been able to effectively manage low tenant turnover while increasing rental income. Property owners then receive the highest possible income while keeping expenses to a minimum. QPM has successfully increased property value in multiple Sacramento properties. QPM currently manages over 700 units in the Sacramento area. Their services include property management overview, debt servicing, and accounting as well as investor communications and distributions.

Mark Kramer:

Mark Allen Kramer is the President and Co-Founder of K&C Investments, Inc. As President, Mr. Kramer analyzes each investment opportunity and negotiates the necessary terms for all transactions. Mr. Kramer coordinates all team members including legal counsel, fundraising, financing and property management to maintain a constant overview of each project. Mr. Kramer has been chief negotiator and team leader for K&C Investments in the acquisition, management and sale of over \$750 million in real estate ventures, business opportunities and First

Deeds of Trust loans. Throughout each of these transactions he has been able to secure a favorable return to all investor funds while protecting investor capital. He is dedicated to serve and care for investors and their funds, abiding by company principals that promote safety, security, capital preservation and consistent returns that make sense in today's market place.

Additionally Mark worked with Michael Caldwell to develop a successful 76 unit single family residential community in Oahu Hawaii between 2013-2015. This was a fantastic success where investors enjoyed a 20% IRR on their money during that time.

Prior to Mr. Kramer's success as President of K&C, he has been a successful executive in business operations for over 15 years. His last position was President of San Francisco based World Wrapps Restaurant's Inc, where he was responsible for all business operations and financial performance. Mr. Kramer was responsible for similar duties at the Arizona based company, the Coffee Plantation. He managed the executive team, business operations and real estate operations in multiple markets which included Arizona, Texas and Southern California. Furthermore, he was a successful independent real estate investor with double and triple digit returns for projects he personally bought and sold.

Michael Caldwell:

Michael Train Caldwell serves as the Vice President of Business Development for K&C Investments, Inc. and is a co-founder of the company with Mr. Kramer. Mr. Caldwell, a Lawyer by training, is responsible for overseeing all legal aspects of the company's operations. He also manages and coordinates outside legal counsel concerning various project issues and concerns. Mr. Caldwell participates daily with Mr. Kramer in determining the business strategy for each project and appropriate capital planning related to each venture.

Once Mr. Caldwell determines the specific financial needs for each investment project, he leads the K&C team in developing new sources of funds. He is also a participating Real Estate Broker and acts as the company's broker for all real estate transactions and loans. As with Mr. Kramer, Mr. Caldwell has a long history of successful real estate investing, participating in profitable multifamily projects in several states since 1994.

Mr. Caldwell, a successful litigator that has traditionally focused on torts and consumer wrongs is also part of the Caldwell Law Firm, a boutique firm of lawyers dedicated to fighting for their client's rights, and has the benefit of working with his sister and brother in this regard.

Gia Kramer:

Gia Kramer is Vice-President and Corporate Secretary for K&C Investments, Inc. Mrs. Kramer is responsible for organizing and implementing all administrative functions, document compliance and retention, database management, investor communications and partnership formations and compliance for K&C Investments, Inc. Mrs. Kramer evaluates, oversees and participates in the management of each investment property.

Mrs. Kramer additionally serves as President of Quality Property Management, LLC based in Sacramento. As President of QPM, she is responsible for overseeing the daily operations and business objectives of the company. Mrs. Kramer personally evaluates, oversees and participates in the management of each investment property.

Mrs. Kramer has been an executive in business operations for over 20 years and has an extensive background in fast-growing and start-up companies. She has helped start and build companies in a variety of industries including real estate, restaurant and high tech. Mrs. Kramer's focus is in business planning and strategy, legal compliance, budget control and human resources and development. She has been involved in property management for over fifteen years and is currently responsible for managing over 1000 units.

Mrs. Kramer holds a B.A. in Psychology from the University of California, Davis. She is an active member of the California Apartment Association (CAA).

Laura Morales:

Ms. Laura Morales is a financial consultant for K&C Investments Inc. and has over 20 years' experience in the area of finance. She oversees and provides direction for finance policy, accounting, financial reporting, and is responsible for the day-to-day operating and accounting functions for the company. She also supervises investor relations with regard to the investor portfolio in excess of \$25M.

Prior to joining K&C Investments in 2010, Ms. Morales was CFO/Controller for Belrad Group, LLC, a private commercial Real Estate, Advisory and Merchant Banking Firm located in San Francisco, CA. While serving in this capacity for over 8 years she oversaw company financial reporting, client reporting and prepared client

financial packages, performance measurement and all aspects of property and fund accounting.

Ms. Morales has also owned and operated her own financial consulting business that focused on business accounting, operational consulting, cost controls, risk management, coaching to implement efficiency and effective improvements in business to wide variety of clients both domestically and internationally.

Ms. Morales began her career in the area of forensic accounting and maintains professional affiliations with Morre and Company CPA Professional Networking Group, Association for Financial Professions and volunteers in her community as Board of Director Treasurer for Youth Sports Leagues. She holds an Associates of Arts degree from The University of Minnesota and a Bachelor's of Science degree in Business Management from San Francisco State University.

PARTNERS:

Wadot Capital, LLC:

WADOT Capital Inc. was established in 2001 and is owned and managed by Erik Egger, its founder. WADOT Capital originates and services real estate loans in Washington, Oregon and Idaho. In addition WADOT Capital provides services to investors on distressed loans originated by other lenders. Wadot was one of four court appointed servicers in the 2012 bankruptcy of Olympic Coast Investment Company, a Seattle based private real estate lender with a \$125 million loan portfolio. From 1997 to 2000, Mr. Egger originated private money real estate loans and managed investor relationships as an employee of Westar Funding. Personally, Mr. Egger has purchased and re-sold over 40 distressed properties

WADOT Capital Inc. provides bridge loans to local real estate investors, business owners, and builders with a focus on the distressed real estate market. The company has maintained an excellent long standing reputation as a funding resource for quality lending opportunities. Wadot employs key principles of integrity and intensive due diligence that allow it to operate successfully alongside other larger lenders

Rain City Capital, LLC:

Rain City Capital, LLC is managed by Mr. Fred Rea, its founder. Mr. Rea is also the owner of Helis Funding, LLC, which invested \$100,000 towards Rain City's current capital. From 2003 to 2006, Mr. Rea facilitated conventional loans as an employee of Cobalt Mortgage, the largest privately held mortgage banker in Washington State. In April 2006, Mr. Rea was retained by the owners of Cobalt Mortgage to start, manage, and originate bridge loans for Stone Capital Funding, LLC. From April 2006 through September 2008, Stone Capital closed a large number of distressed real estate purchases with Mr. Rea as its only loan originator. At the same time, Mr. Rea also managed the company's operations and loan portfolio to ensure that all loans pay off at the date of maturity. Since 2003 and as part of his personal investment portfolio, Mr. Rea bought and sold over 20 distressed real estate properties.

Rain City Capital, LLC provides bridge loans to local real estate investors, with focus on the distressed real estate market. The company employs several key principles that allow it to operate successfully alongside other (sometimes bigger) lenders.

Premier Homes (Kevin Yttrup)

Kevin Yttrup is a second generation home builder and has been designing and building homes since he was a teenager. His father, Bill Yttrup, built single family homes in the Sacramento area in the 1970's and Kevin grew up with a fascination for the home building process.

His young career began with a hands-on approach. Working on projects for his father, Kevin quickly became familiar with the important elements that go into a home. Transitioning from the trades into his first "turnkey custom home" at the young age of 24, Kevin quickly made a name for himself as a custom home builder, known for the quality of his designs, product and the building process itself, bringing a level of attention to detail rarely seen in the industry. These elements of home building have become a hallmark throughout his career.

Kevin's integrity and dedication to deliver an exceptional home buying experience, to each and every one of his home buyers, is of the utmost importance to him. In 1994, Kevin decided to bring his design sense and attention to detail to the production home building industry and Premier Homes was born. Building it into a successful company, Kevin's effort to reflect these non-negotiable home building elements was the obvious difference in every Premier home.

Whether it be individually through the custom home experience, or through one of Premier's many communities built over the years, or partnerships and joint ventures; Premier Homes, under Kevin's leadership, has always represented the best and most exciting attributes of the home building industry. His model homes have won accolades and awards from both his peers and home buyers alike. In recent years, these communities featuring Premier built products have received awards in these California Cities: Granite Bay, El Dorado Hills and Lincoln. The North State Building Industry Association honored Premier's Granite Bay community with the title of "Community of the Year" for 2013, as well as, "Best Product Design", "Sales Office", "Interior Design"...the list goes on.

Kevin's excitement and passion for what he builds is evident. Those who work alongside him and those who have chosen Premier as their home builder, praise his dedication and progressive nature.

Kevin's longevity in the industry, combined with his building expertise and integrity, serve as a solid foundation for the Company's leadership. His desire to be the best at what he does, to be the builder with product that sets the benchmark for the industry, drives him. <https://www.premierhomesca.com/>