PTC Organics 401(k) Plan and Trust

- Makes totally passive conservative investments in private placements, 506(b)'s and 506(c)'s.
- Performs deep due diligence on both the underlying fundamentals of each opportunity and on the syndicators, fund managers or project sponsors on two levels of management and operations. Syndicators, project sponsors and fund managers must meet very high standards of track record, integrity and transparency (accounting).
- Primary focus is on growth, though not exclusively. Performs deep due diligence if the projected IRR at least 15%, though expected track record of sponsor is usually 25%-35% or higher.
- Expects equity split for Class A passive investors of at least 60%.
- Seeks combination of growth and income with the "preferred returns" starting distributions about a year after investment since that demonstrates the project's ability to generate and sustain cash flow, if the deal is not a pure growth play. "Preferred returns" of 8% minimum when the underlying fundamentals for growth are strong.
- Open to an occasional opportunity that is primarily an income play with a higher preferred return, with a minimum of 12% plus 50% equity participation. Examples are land development lending and short-term high interest bridge loans.
- Investments are diversified in three dimensions which are multiple deals in multiple independent sectors with multiple sponsors. Open to adding more sponsors and sectors, BUT sponsors must be prepared for deep due diligence only if the terms (term sheet) meet investment criteria. Otherwise, expect no response unless already invested with that sponsor.
- Examples of sectors of current investments: apartment syndications (easiest to evaluate: looking for low rent vs comparable apartment complexes due to mismanagement), land development lending, self-storage, agriculture, resort units, secured notes & high yield bridge loan, large student housing complex and private equity in fields related to chemical and environmental technology.
- Investment and business portfolio is consistent with Richard Wilson's book "Centimillionaire", pages 31-32 that cite 3 areas: [1] niche industry business in field of expertise, [2] conservative cash flowing real estate and [3] diversified stock market exposure.
- Valuable lessons for improving private investor performance are obvious but should be repeated often and they are (1) always perform deep due diligence on every single opportunity and two levels of the people managing them, (2) manage risk by the combination of deep due diligence and diversifying over multiple deals in multiple sectors with multiple sponsors (3) invest no more than a small percentage of investment portfolio in high risk-high reward ventures in primary field of true expertise.

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Contact: Marc@PartTimeInvestors.com