

LESMARK

LesMark Capital, LLC

CONSTRUCTION / PERMANENT CTL BOND LOAN PROGRAM

LesMark's **Construction/Permanent CTL Bond Loan Program** ("Construction/Perm Program") is designed to combine both a construction loan and the ensuing permanent credit tenant lease or bond loan into one financing at the outset of the project development. The Construction/Perm Program differs from our Construction Funded Forward Program ("CFF Program") in that the CFF Program requires a date-certain rent commencement lease or a letter of credit from a qualifying bank to provide credit enhancement during the construction period and prior to the tenant taking occupancy of the property. The Construction/Perm Program is aimed at new construction projects that will be occupied by a single investment-grade tenant where a date-certain rent commencement lease or letter of credit is not available.

LesMark has partnered with a single institutional investor with the capability of financing both the construction and permanent loan phases of the project by simultaneously underwriting and processing both loans before the project breaks ground:

Construction Phase:

- Size of the construction loan is underwritten to 90% to 95% of project costs depending on property type and strength of sponsor and underlying credit tenant. However, the size of the construction loan cannot exceed the underwritten amount of the permanent CTL bond loan.
- Interest rate is generally fixed and based on the investor's cost of funds and overall strength of the project and tenant. Loan is interest-only during construction.
- Borrower will be required to advance into a reserve the 5% - 10% project cost equity.
- Construction draw requests and disbursements are made pursuant to typical commercial bank procedures and documentation standards. The borrower's reserved equity deposit is disbursed for project costs, or credited back at closing, once the construction loan amounts are fully disbursed.

Permanent CTL Bond Loan Phase:

- Size of the CTL bond loan is underwritten to the underlying lease's cash flows based on a 1.01x or 1.05x debt coverage, depending on the landlord's responsibilities.
- Interest rate is fixed and locked prior to construction loan closing and based on the strength and credit rating of the tenant and where the tenant's corporate debt is trading.
- Once construction is complete and the tenant has accepted and takes occupancy of the building, the interest rate is reset to the agreed upon forward permanent CTL bond loan rate and the loan self-liquidates over the term of the lease (the "Second Closing").
- If the underwritten permanent CTL bond loan proceeds exceeded the construction loan proceeds, the additional loan proceeds are disbursed to the borrower at the Second Closing.

Other Characteristics and Requirements of the Construction/Perm Program:

- Generally tenant credit ratings of Baa2/BBB or better are required, although stronger ratings are required in some industries, such as healthcare and government.
- Lease should be NNN, although GSA and corporate leases with minor landlord obligations are typically acceptable.
- Unlike the CFF Program, not all property types are acceptable for the Construction/Perm Program. The more common property types (office, retail, industrial, warehouse, MOB) are preferred, but other property types are approved on a case by case basis.
- Loan amounts in the \$15,000,000 to \$250,000,000 range preferred.
- Lease terms in the 15-25 year range preferred.
- Construction phase of loan is generally recourse, which burns off once the tenant accepts and takes possession of the building. The permanent CTL bond loan is recourse only to the usual carve outs.
- The usual third party reports, title/survey and insurance are required prior to construction loan closing, and are updated at the Second Closing.
- A fee of 1% is charged for each of the construction and permanent CLT bond loans (2% in total). Each 1% fee is based on the relative size of each phase of the loan (construction and permanent CTL bond loan amounts).

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