

LESMARK

LesMark Capital, LLC

CONSTRUCTION FUNDED FORWARD PROGRAM

LesMark's **Construction Funded Forward Program** ("Program") was designed to combine both a construction loan and the ensuing permanent loan into one financing funded at the outset of project development. Single credit tenant project financing typically requires arranging a separate construction loan from a commercial bank, and then (1) waiting to secure a permanent take-out or bridge loan when the project is completed, or (2) negotiating a forward commitment to take out the construction loan upon completion. Waiting a year or more to obtain take-out financing is risky in that interest rates could move significantly, and certain capital sources may not be available due to market conditions, credit changes, and material adverse events. Forward commitments are becoming more difficult to secure and are priced at a premium. This Program eliminates rate and credit event risk, as well as the forward commitment premium.

Here is how the program works:

1. Developer negotiates a lease on a build-to-suit basis with credit tenant. Lease provides either (1) for a **date-certain rent commencement** or (2) rent commencement based on an outside move-in date as well as satisfaction of tenant's project construction requirements as detailed in the lease. If the lease provides that rent will commence unconditionally on a date certain, a letter of credit is **not** required.
2. Developer engages its commercial bank ("Bank") to administer the construction disbursements funded by this Program. The Bank must have an S&P long-term debt rating of "A+" or better. The Bank agrees to issue a letter of credit ("LOC") to LesMark to credit-enhance the loan transaction during the construction period. The LOC is required to qualify the transaction as a bondable CTL loan under NAIC guidelines until the credit tenant takes possession of the property and issues an estoppel certificate indicating that the rent commencement requirements in the lease have been satisfied.
3. LesMark places and funds the CTL Loan. The loan proceeds, including the prepaid interest-only debt service payments for the construction period, are deposited into a trust account at the Bank.
4. Bank issues a LOC to LesMark's trustee secured by the cash deposit, a future advance mortgage, assignment of lease and security agreement ("Bank Security Documents").
5. In addition to the LOC, LesMark's interest is secured by a mortgage, assignment of lease and security agreement ("LesMark Security Documents"), which is subordinate to the Bank's security position (#4, above) so long as the LOC is outstanding.
6. Bank administers the project development and construction draw requests in accordance with a Construction Loan Agreement executed in connection with the initial CLT Loan funding.
7. Bank makes interest-only payments on the CTL Loan to LesMark during the construction period.
8. Project is completed, tenant takes possession and rent commences. Documentation and due diligence conditions of the LOC Agreement have been delivered or satisfied, including certificate of occupancy, estoppel, SNDA, survey, insurance, updated third-party reports, updated title, etc.
9. LesMark releases LOC. Bank provides LesMark with any releases required under the Bank Security Documents. Remaining funds held in trust by the Bank are disbursed to the borrower or LesMark in accordance with the CTL Loan documents.
10. LesMark's trustee services the CTL Loan and acts as collateral custodian for the term of the CTL Loan. CTL Loan begins to amortize once rent commences.