

## Mezzanine Financing

Allows a sponsor to retain maximum profits with a cost-effective alternative or supplement to equity capital. Typically utilized to increase LTV of acquisition financing, monetize existing equity or otherwise recapitalize/restructure an existing ownership structure.

**Property Types:** Primarily multifamily, office, industrial/flex, and retail.

**Loan Amount:** \$1 million to \$8 million.

**Geographic Areas:** Metropolitan areas of the western United States.

**LTV/LTC:** Typically maximum of 90%.

**Interest Rate:** Fixed or floating. Generally 8% - 12% current pay rate. Overall returns will be determined through a combination of current pay + accrual, lookback IRR and/or origination/exit fees. Floating rates based on LIBOR and may require rate cap to ensure minimum DSCR.

**Minimum DSCR:** 1.05x combined DSCR; calculation may include reserves for capital expenditures, leasing costs or interest expense.

**Loan Term:** Generally 24 to 60 months depending on overall transaction structure, term of existing senior loan, risk levels and project needs.

**Amortization:** Interest-only available.

**Prepayment:** Open to prepayment subject to yield maintenance.

**Security:** Pledge of ownership/partnership interest by s.p.e. borrower.

**Recourse:** Non-recourse subject to market-standard carve-outs.

**Reserves:** If none required by senior lender, reserves will be required for real estate taxes, insurance and repairs. Reserves may also be required for leasing costs and/or interest expense depending on level of DSC and stabilization.

**Senior Debt:** May be fixed rate or floating rate with a cap and an acceptable intercreditor agreement.

**Loan Costs:** Borrower is responsible for transaction and due diligence costs associated with the mezzanine loan and shall provide a reasonable deposit upon mutual term sheet execution to cover such costs.

<b>Additional Info:</b>	David Tindall, Vice President	Justin Dennett, Sr. Vice President
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# Bridge Loan

## ***Bridge Loan Financing***

Provides a sponsor shorter term transitional financing as a supplement or alternative to equity during a project's initial repositioning phase. Typically utilized in anticipation of an imminent liquidity event such as refinancing.

**Property Types:** Primarily multifamily, office, industrial/flex, and retail.

**Loan Amount:** \$1 million to \$8 million.

**Geographic Areas:** Metropolitan areas of the western United States.

**LTV/LTC:** Typically maximum of 90%; may require sponsor guarantees and can be funded w/ one or more advances/draws.

**Interest Rate:** Fixed or variable. Generally 8% - 12% current pay rate. Overall returns will be determined through a combination of current pay + accrual, lookback IRR and/or origination/exit fees. Floating rates based on LIBOR with a floor and may require a rate cap to ensure minimum DSCR.

**Minimum DSCR:** 1.05x subject to adequate reserves for capital expenditures, leasing costs or interest expense.

**Loan Term:** Generally 12-18 months depending on project business plan, overall transaction structure, risk levels and project needs.

**Amortization:** Interest-only available.

**Prepayment:** Open to prepayment subject to yield maintenance.

**Security:** Pledge of ownership/partnership interest by s.p.e. borrower.

**Recourse:** Non-recourse subject to market-standard carve-outs. Riskier loans such as major redevelopment or rehab may require full or partial sponsor recourse guaranty.

**Reserves:** May be required for real estate taxes, insurance, repairs, leasing costs and/or interest expense depending on level of DSC and stabilization.

**Senior Debt:** May be fixed rate or floating rate with a cap and include an acceptable intercreditor agreement.

**Loan Costs:** Borrower is responsible for transaction and due diligence costs associated with the mezzanine loan and shall provide a reasonable deposit upon mutual term sheet execution to cover such costs.

**Additional Info:**

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# Preferred Equity

## Preferred Equity

Provides a sponsor an alternative or supplement to traditional debt/equity. Additional structural flexibility and relative ease of execution relative to mezzanine debt financing. Preferred equity is senior to sponsor equity but typically involves less profit sharing than direct equity. Generally utilized when secondary financing is prohibited by a senior loan and a sponsor seeks to increase leverage at acquisition or is attempting to monetize equity or otherwise recapitalize/restructure an existing ownership.

**Property Types:** Primarily multifamily, office, industrial/flex, and retail.

**Loan Amount:** \$1 million to \$8 million.

**Geographic Areas:** Metropolitan areas of the western United States.

**LTV/LTC:** Typically maximum of 90%.

**Pay Rate:** Generally 8% - 12% current pay rate.

**Participation:** Not required. Overall returns will be determined through a combination of current pay + accrual, lookback IRR and/or minimum profit participation.

**Minimum DSCR:** 1.05x combined DSCR; calculation may include reserves for capital expenditures, leasing costs or interest expense.

**Loan Term:** Generally 24 to 60 months depending on overall transaction structure, term of existing senior loan, risk levels and project needs.

**Amortization:** None.

**Prepayment:** Open to full or partial redemption subject to yield maintenance.

**Control Rights:** Review/approval of certain major decisions required – e.g. termination of manager, buy/sell/refinance.

**Recourse:** Non-recourse subject to market-standard carve-outs. Completion guaranty may be required on major redevelopment or rehab projects.

**Reserves:** If none required by senior lender, partnership may be required to reserve for leasing costs, interest expense, real estate taxes, insurance and repairs.

**Ownership Structure:** Single purpose, bankruptcy-remote entity required with acceptable constituent members.

**Senior Debt:** May be fixed rate or floating rate with a cap.

**Loan Costs:** Sponsor and/or project is responsible for formation and due diligence costs associated with the transaction.

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## Acquisition Criteria

NBS Real Estate Capital, on behalf of Morrison Street Fund II, LP, a fully discretionary private equity fund, is seeking value-added opportunities throughout the western U.S. We have the flexibility to invest on our own or in partnership with other real estate operators, developers or service firms. Potential value-add scenarios include leasing/re-tenanting, asset repositioning/renovation, new development and re-development of existing projects.

**Property Types:** Primarily multifamily, office, industrial/flex, mixed use and retail.

**Target Size:** Gross asset value of \$5 million to \$50 million.

**Geographic Focus:** Metropolitan areas of the western United States.

**Debt:** Can assume existing debt, defease or secure new financing.

**Profile:** No product types, markets, etc. will be categorically excluded from consideration; however, general profile of likely acquisition candidates would include:

- Multifamily – Class A- to C+ assets in markets with significant spread between cost-to-own and cost-to-rent
- Office – Class A and B product with current/imminent vacancy, repositioning potential through rehab.
- Industrial – Class A- to B- industrial/flex/r&d product at well-served, infill locations.
- Retail – Class A to B grocery anchored, community or power centers.

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