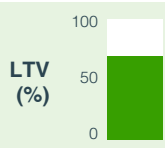
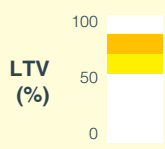
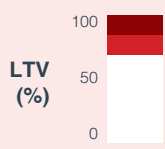
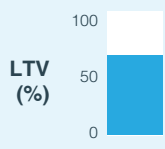
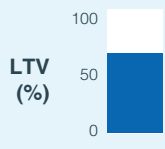
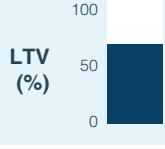


# COMMERCIAL REAL ESTATE CAPITAL STRUCTURE

## DEBT/EQUITY/HYBRID PRODUCT REFERENCES

Often misunderstood and misused by many, below is a detailed matrix of the “cap stack” how the capital structure works in commercial real estate finance.

	PLACEMENT IN CAPITAL STRUCTURE	PRODUCT	SECURITY/COLLATERAL	PREFERENCE OF REPAYMENT	REMEDIES
ASCENDING LEVEL OF RISK	 <p>LTV (%)</p>	<b>First Trust Debt</b>	First Trust Deed	First Priority	Foreclosure of Collateral
	 <p>LTV (%)</p>	<b>Mezzanne</b> <b>“Junior Mortgages”</b> <b>“Participating Debt/Equity”</b>	Most mezzanine loans are typically by an <b>Assignment of Partnership Interests</b> , which means that if there is a default on the mezzanine loan, the mezzanine lender can "step into the shoes" of the General Partner or managing member.	Repayment preference: The mezzanine debt is paid after the first trust debt is repaid, and before the equity is repaid.	Default remedies in the event of a default event:  Pay off the first trust loan and becomes the senior lender. Assume the first trust loan and keep the senior in place.
	 <p>LTV (%)</p>	<b>Equity</b> <b>High Leverage Mezzanine</b> <b>Preferred Equity</b> <b>“Pref” Equity</b>	The preferred equity investor is unsecured, and relies on the <b>Partnership Agreement</b> to determine their rights and benefits.	Is the current or accrued "pay rate" that must be totally repaid (principal and interest) to the investor first, prior to return of capital.	In a preferred equity transaction, remedies run to the General Partner and not to the property.  The typical remedy is dilution of the General Partnership's economic interests and/or their ability to manage or control the property.
SUPER/SENIOR DEBT	 <p>LTV (%)</p>	<b>Hard Money</b> <b>Bridge Loans</b> <b>Distressed</b> <b>Value-Add</b>	First Trust Deed Low Loan-To-Value ("LTV")	First Priority	Foreclosure of collateral, <b>including any and all additionally cross collateralized assets.</b>
	 <p>LTV (%)</p>	<b>Debtor in Possession</b> <b>Loans (DIP)</b>	Super Priority First Trust Deed. This is senior to any mezzanine financing and any senior trust deeds in the capital structure.	<b>Absolute first priority</b> as mandated by the Bankruptcy Court.	Foreclosure of collateral, <b>wiping out any mezzanine and senior trust deeds.</b>
	 <p>LTV (%)</p>	<b>Super Collateralized Loans (Super C)</b> <b>(Triage Loans / LOCs)</b>	Very Low LTV First Trust Debt (Typically Less Than 30%)	First Priority	Foreclosure of collateral including any additionally cross collateralized assets.

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