



### NATIONWIDE PREFERRED EQUITY

- Purpose:** 1) A synthetic 2<sup>nd</sup> mortgage to reduce Sponsor's/KP's equity requirement at acquisition  
2) Additional capital in connection with a refinance, recapitalization, or at any other time  
3) Monetize trapped value on owned, cash-flowing assets
- Locations:** All domestic markets, nationwide. Secondary and tertiary locations will be considered.
- Property Types:** All cash flowing multifamily properties and other cash flowing real estate assets (no hospitality). Older properties will be considered.
- Check Size:** \$2 to \$20 Million. Smaller or larger transactions will be considered on a case-by-case basis.
- Legal Structure:** No lien, UCC filing, intercreditor agreement, or other recorded documents required. Great flexibility to comply with the requirements of any first mortgage lender (Freddie Mac, Fannie Mae, HUD, conduit, life insurance companies, banks, etc.). Objective is to create a structure that will either not require first mortgagee approval or be readily acceptable.
- Term:** Up to and including coterminous with the first mortgage.
- Max Cost Basis:** Not to exceed 75% of total project cost (purchase price + capex + costs/fees) when combined with the first mortgage loan amount. Case by case exceptions.
- Min DSCR:** Current property cash flow must provide at least a 1.2 overall debt coverage when adding the amortizing first mortgage debt service to the required preferred equity annual payments.
- Pricing:** Risk based pricing, but generally fixed in the mid teens, payable monthly. Some combination of current pay and accrual is negotiable.
- Prepayment:** Negotiable. No yield maintenance or defeasance required.
- Liability:** Non-recourse to borrower and Key Principals subject to standard carve outs.
- Fees:** Two percent of the amount of the preferred equity.
- Costs:** Sponsor covers all out of pocket costs pertaining to the transaction (including legal costs).
- Remedies:** 1) Increase in pref return. 2) Replace mgmt. co. 3) Force a sale in Newport's discretion

**Jeffrey S. Juster**

**CEO**

214-384-8413

[jjuster@newcapllc.com](mailto:jjuster@newcapllc.com)

**Jay M. Juster**

**SVP, Principal**

214-686-1127

[jmjuster@newcapllc.com](mailto:jmjuster@newcapllc.com)