



HUD Specifics

Structure

- Add Mezzanine Borrower through HUD TPA process
- Pledge Mezzanine Borrower interests to RiverBanc
- Maintain a rolling reserve to handle HUD semi-annual distributions

Remedies for Mezzanine Lender (after an Event of Default)

- Hold all surplus cash flow in Mezzanine Borrower
- Increase the Mezzanine Loan interest rate to the default interest rate
- Require the Company to file a modified TPA with HUD
- Non-interference with RiverBanc during the TPA process
- Force a sale of the property at RiverBanc's request
- Replace the property manager with RiverBanc's property manager
- Foreclose on the Mezzanine Borrower's pledged interests

Non-Recourse Carve Outs after an Event of Default

- Failure to replace the property manager with RiverBanc's property manager
- Interference with RiverBanc transfer during the modified TPA process

Case Study

Mezzanine Loan—\$5,000,000 - Dallas, TX

Overview

- Acquisition of recently developed Class A asset
- Assumed HUD loan to avoid high prepayment penalty
- Added Mezzanine Loan to improve LTV from 59% to 75%
- 12-year Mezzanine Loan term

