

B2B Capital Pty Ltd

MEZZANINE LENDING GUIDELINES - 2008

- Minimum loan size is \$500,000
- Leverage will not exceed 85% of the completion value and 95% of total development costs for construction Projects (includes senior interest)
- Maximum 85% "as is" value for development land – being land that has DA approval for the highest and best use (and is free from encumbrances or statutory orders)
- Maximum 70% "as is" value on a second mortgage for development land without DA (but properly zoned for proposed use)
- Maximum 85% of valuation for investment-grade Projects
- Valuations must be addressed to the Senior Lender and be prepared on a first mortgage basis. Valuations must be no more than six months old
- Minimum Project Margin to be at or above 15% based on net total development costs including senior interest and mezzanine interest
- Project contingency must be at least 5% on Construction Costs
- Projects will have a zoning description which includes the words 'residential', 'business', 'commercial', 'industrial', or 'retail'. Tourism will be considered on a case by case basis
- All markets are considered, however, preference is given to the Australian mainland capital cities and coastal regions of South-East Queensland
- Projects must have an acceptable level of market risk mitigation. Market risk is considered to be mitigated for a residential project where the "qualifying presales level" has been achieved. Market risk is considered to be mitigated for non-residential Projects where the "leasing pre-commitments level" has been achieved. Level of presales or preleasing required are assessed on a per project basis
- Mezzanine Loan Interest Rates are determined on a per object basis reflecting the risks inherent in making the loan. As a general rule, interest rates are between 20% and 25%
- Mezzanine Loan Establishment Fees are determined on a per project basis reflecting the risks inherent in making the loan. As a general rule, establishment fees range between 2.50% and 5.00% and are paid by the Borrower to the Manager
- Security must include a second registered mortgage over the Project, charge over the Borrowing entity, Directors and/or Corporate Guarantees and Deed of Priority with the Senior Lender
- Minimum Loan term is 6 months. Maximum Loan term is 24 months. Preferred loan term is 12 months.
- Loans may be drawn down in a maximum of three advances. No construction finance is provided on progressive draw basis
- All loans must be Project Specific with repayment from the net sale proceeds of the Project