

	CMBS	RED STAR
Prepayment	Defeasance/YM	YM/Declining/Custom (e.g. 4/3/1/1/1)/Open
State of Property	Stabilized	Stabilized/Stabilizing
Future Funding	None	CapEx/Earnouts
Rate/Term	Fixed mainly 10Yr No other structural nuances	Fixed 1-15Yr (terms 10+ higher quality real estate, very effective way to compete against CMBS – CMBS cannot go beyond 10yrs) Burndowns to stabilization (higher rate to begin if for e.g. signed leases but not in occupancy with burndown to lower rate as tenants take occupancy and rent roll builds out) 3-Yr Step Rate (Teaser rates to begin and then step up while loan locked out for prepayment – again higher quality real estate)
Closing Costs	High fixed costs (\$40-50K)	Lower fixed costs (\$15-30k) This is important as a Borrower needs to look at the interest rate equivalent of the additional cost
Prepay Penalties	Sold as part of bond waterfall ZERO flexibility for the borrower	Retained by us, again this is an extremely important differentiator as we can restructure a loan mid-stream and waive prepays to refinance borrower into new loan as many borrowers have already done
Controlling Party On Loan	CMBS sells bottom of capital structure to B-Piece Buyer hence Lender not in control of loan after securitization, B-Piece Buyer is	We retain bottom of capital structure hence Lender and lifetime controlling party of loan are both internal. Very important selling point.
Interest Rate Risk	Spread re-trades very commonplace with market shocks. No ability to absorb spread movement. Rate locks extremely expensive with risk all transferred to Borrower – open ended risk to Borrower	Red Star can hold rate and take slight hits to RY Generally willing to entertain a rate lock for 1-2 months @ 10Yr Swap/12 * loan amount for monthly cost – non-refundable monthly fee but Borrower does not have open ended risk on rate movement.
Recourse	Non-recourse	Can use recourse triggers or burn-offs as structuring tool to mitigate risk
Kick-Out Risk/Retrade	B-Piece Buyer can decide to kick-out or restructure loan = last minute retrade	No kick-out risk, we are the B-Piece Buyer Ready-to-close LOI's