



## LEM MULTIFAMILY SENIOR EQUITY PROGRAM

- » **Funds More of the Equity** than Mezzanine Loans
- » **Flexibility** of Joint Venture Equity
- » **Higher Promote** than Pari-Passu Equity

### SENIOR EQUITY PROGRAM DETAILS

#### Philosophy

- » Provide equity for the acquisition or recapitalization of “value add” multifamily assets with strong current cash flow and upside potential in infill locations in primary and secondary markets across the US.

#### Preferred Return

- » 10-12% preferred return. No fixed coupon; unpaid preferred return accrues and compounds annually.

#### Structure

- » LEM provides 75% to 85% of the required equity in a senior position to the sponsor’s equity. In return for having a junior position in the waterfall, the sponsor receives a larger promote than traditional joint venture equity.

#### Promote

- » Sponsor receives a promote on the senior equity, which generally results in a 50%/50% split of excess profits after payment of the preferred return and return of capital to both the senior equity and the sponsor.

#### Hold Period

- » Generally 3 to 7 years with no fixed maturity.

#### Control Rights

- » LEM has major decision rights and the right to compel a sale of the property beginning three years after initial closing.

#### Fees

- » LEM splits any acquisition fee with Sponsor. Sponsor receives market level property management and construction management fees as applicable.

#### Investment Amounts

- » \$3,000,000 to \$10,000,000 per property; larger on a case by case basis; no limits for portfolios. Total deal capitalization generally ranges from \$12,000,000 to \$50,000,000 or higher.

### SENIOR EQUITY, PARI-PASSU EQUITY & PREFERRED EQUITY/MEZZ COMPARISON

(Hypothetical \$30mm Total Cost - Multifamily Value Add Acquisition, 5 year hold, 18.5% Deal Level Leveraged IRR, 8.1% Average Cash on Cash, 2.13x multiple)

	LEM SENIOR EQUITY (80%/20%)	TRADITIONAL JV EQUITY (90%/10%)	PREFERRED EQUITY/MEZZ (Up to 85% LTV)
<b>Total Capitalization</b>	\$30mm	\$30mm	\$30mm
Senior Debt	\$21mm	\$21mm	\$21mm
Total Equity	\$9mm	\$9mm	\$9mm
<b>Equity</b>			
LEM	\$7.2mm	\$8.1mm	\$4.5mm
Sponsor	\$1.8mm	\$0.9mm	\$4.5mm
<b>Sponsor IRR</b>	<b>23.8%</b>	20.6%	23.3%
<b>Sponsor Multiple</b>	<b>2.91x</b>	2.31x	2.70x

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This Senior Equity Program summary is for discussion purposes only. The hypothetical deal comparison is shown to provide an overview of a typical senior equity structure. No representations or guarantees are being made that any such structure or investment will achieve the result shown and actual results may be significantly different.