

## Glossary

**Additional Collateral:** is property that is outside the subject that is pledged to the loan.

**ARV:** stands for *after-repair value*, the estimated value of a property after completed renovations or construction, also known as future value.

**AIV:** stands for as-is-value, it is the current value of the property.

**Cap Rate:** Capitalization rates, measures used to estimate and compare the rates of return on multiple commercial real estate properties. Cap rates are calculated by dividing the property's net operating income (NOI) from its property asset value

**Completion Guaranty-** This guarantees the completion of the project, including any cost overruns. Always combined with Carveout Guaranty

**Carveout Guaranty-** A non-recourse guaranty where the lender (Builders Capital) has recourse upon certain bad acts of the guarantor, such as bankruptcy/insolvency, fraud, and additional liens. Always combined with Completion Guaranty

**Day 1 Loan to Value:** What Builders Capital Funds Day 1 (Builders Capital Land Basis + Interest Reserves + Fees) versus the As-Is Value of property

**Date Down Endorsement** means an instrument, provided by the title company, indicating that no liens have been placed on the property since its original issuance of the title insurance policy, or since any prior Date Down Endorsement.

**Draw Inspection:** means a third-party inspection of the work site to evaluate progress against what has been reported. A Draw Inspection specifically validates that all work items and materials included in a Draw request are, in fact, in place or completed. A Draw Inspection is triggered by each Borrower-requested Draw.

**Draw Inspection Fee:** means a fee covering the cost of a third-party inspection company to complete a Draw inspection.

**Direct Pay:** means Lender will issue Draw payments directly to Borrower's suppliers, vendors, and subcontractors based on invoices provided with each Draw request.

**DSCR:** The debt service coverage ratio, known as "debt coverage ratio", is the ratio of operating income available to debt servicing for interest, principal and lease payments

**Equity Lift:** is applied when property has been owned for more than 12 months = As-Is-Value-Payoff

**Exit Fee:** Exit Fee provision requires a Borrower to finance additional construction on the target property with Builders Capital. If the Borrower does not go through with the additional construction or finances it through another lender, Builders Capital may charge an “Exit Fee.” The Exit Fee is a percentage of the current loan (usually 5%). The Exit Fee can also be charged if the Borrower refinances the current project before it is complete.

**Entitled Land:** land that has all required government agency permissions to be developed for specific use.

**Guaranty:** Builders Capital standard is these guarantees are personal and signed by a natural person. To receive a corporate guaranty is provided by a legal entity (LLC or Corporation) is also an exception that would need be requested and granted by Loan Committee

**Horizontal Land Development:** is the process of taking land to finished lots includes but is not limited to roadwork, site work, drainage, or utilities work.

**Interest Reserve:** purpose of such reserves is to pay the estimated costs of interest during the construction period without the borrower having to come up with a monthly interest payment. Interest is charged on interest as the interest reserve is fully funded day one.

**Interest Calculation Method - Outstanding Balance:** means that interest shall accrue at the Interest Rate (above) on the outstanding principal balance of the loan. Interest shall be computed based on a 360- day year and paid based on the actual number of days elapsed for any whole or partial month in which interest is being calculated, and shall be compounded monthly. Interest shall accrue from the date on which funds are advanced, regardless of the time of day.

**Interest Calculation Method - Gross Balance:** means that interest shall accrue at the Interest Rate (above) on the sum of: (a) the outstanding principal balance under the Loan Documents, plus (b) the amount of undisbursed Loan proceeds that remain available for disbursement under the Loan Documents (collectively, at any point in time, the “Committed Loan Amount”). Interest shall be computed based on a 360-day year and paid based on the actual number of days elapsed for any whole or partial month in which interest is being calculated. Interest shall accrue from the date on which funds are advanced on the Committed Loan Amount regardless of the amount disbursed under the Loan.

**Loan to Value:** Total Loan Amount versus the Total Value of the Property

**Loan to Cost:** Loan Amount / vs the Total Cost which is comprised of Land + Budget + Interest Reserve (does NOT include fees)

**Margin:** The spread over the index that is charged by Builders Capital

**OPEX:** Operating expense

**PACE:** A Property Assessed Clean Energy (PACE) loan is a type of financing available to make energy efficiency upgrades and renewable energy improvements. It can be used simultaneously with another loan product to fund the deal

**PDR:** stands for Partial Deed Release which is also another name of Per Unit Release Price

**Per Unit Release Price** means the payment Lender must receive to reduce the outstanding principal balance owing under the Loan in order for Lender to partially release the Deed of Trust/Mortgage from a particular Unit in connection with a sale of such Unit to a bona fide purchaser.

**ROFR:** (ROFR w/Exit Fee) provision requires the Borrower to give Builders Capital the first opportunity to finance additional construction on the target property. The Borrower is allowed to obtain quotes from other lenders but MUST provide Builders Capital the opportunity to match the quote. If Borrower fails request a quote from Builders Capital, or fails to accept Builders Capital's matching quote, Builders Capital may charge the "Exit Fee", which is a percentage of the current loan (usually 5%)

**Seller Carryback:** seller carryback financing is owner-provided financing

**SOFR:** The Secured Overnight Financing Rate (SOFR) is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. The SOFR includes all trades in the Broad General Collateral Rate plus bilateral Treasury repurchase agreement (repo) transactions cleared through the Delivery-versus-Payment (DVP) service offered by the Fixed Income Clearing Corporation (FICC), which is filtered to remove a portion of transactions considered "specials".

**Subordination Agreement:** A subordination agreement is a legal document that establishes one debt as ranking behind another in priority for collecting repayment from a debtor.

**Unconditional Guaranty-** This guarantees the completion of the project and payment of any and all debt incurred.

**Vertical Construction:** the construction or remodeling of any building, structure or other improvement that is predominantly vertical.

**WIP Draw at Closing** means an approved disbursement of proceeds of the Loan from the budget, typically to cover work-in-progress (WIP) costs previously incurred by the Borrower, in accordance with the terms of the Loan Documents. This draw will be sent to Escrow as part of the closing funds.