

Jonathan D. Rice
Senior Vice President

CBRE Capital Markets, Inc.
Debt & Equity Finance

Capital Markets
Sales • Finance • Investment Banking

CBRE

3280 Peachtree Road
Suite 1400
Atlanta, GA 30305

404 923 1432 Tel
404 504 5933 Fax
404 309 0361 Cell

jonathan.rice@cbre.com
www.cbre.com/capitalmarkets

September 13, 2015

Mr. Dennis Biggs
President and CEO
KUD International, LLC
1251 6th Avenue, 9th Floor
New York, NY 10020

Re: Leasehold Mortgage Financing – Construction of Boutique Style Hotel

Dear Dennis:

In response to the questions associated with arranging leasehold construction financing for your proposed hotel at the University of Central Florida Campus in Orlando, I would suggest the following:

1. The pool of lenders willing to provide hotel construction financing is limited,
2. While there are many lenders that will find the opportunity attractive, some lenders will not provide construction financing for a leasehold interest,
3. Lenders willing to provide leasehold construction financing will require that the ground-lease be subordinated to their interest and/or at minimum require certain notice and cure provisions to be incorporated,
4. The lease term requirement should be for a minimum period of 50 years or greater with extension options available to the owner. Many construction lenders understand that the developer will either sell or refinance the property upon completion or stabilization and in order to receive full value credit for the asset there needs to be a sufficient period of time to recoup their investment and receive an appropriate return. Any period less than sufficient will result in impairment to the asset's value and/or loan proceeds.

Generally speaking, leasehold financing automatically adds a complexity to arranging construction financing for any project. Lenders and investors will immediately assign a higher level of risk to the investment. This will become a factor throughout the property's useful life. In the later stages of the ground lease it will become even more significant. This will be evident in the assignment of a higher capitalization rate and associated valuation. Further, any other terms associated with the ground lease that are not perceived to be "at market" may further impair the valuation. Since construction and permanent financing terms are a direct result of the valuation and perception of risk associated with the ground lease, there will be certain additional challenges to arranging the financing for this hotel. Please let me know if we can be of further assistance with this matter and we look forward to working with you and your team on this project.

Very truly yours,

CBRE Capital Markets, Inc.



Jonathan Rice
Senior Vice President