

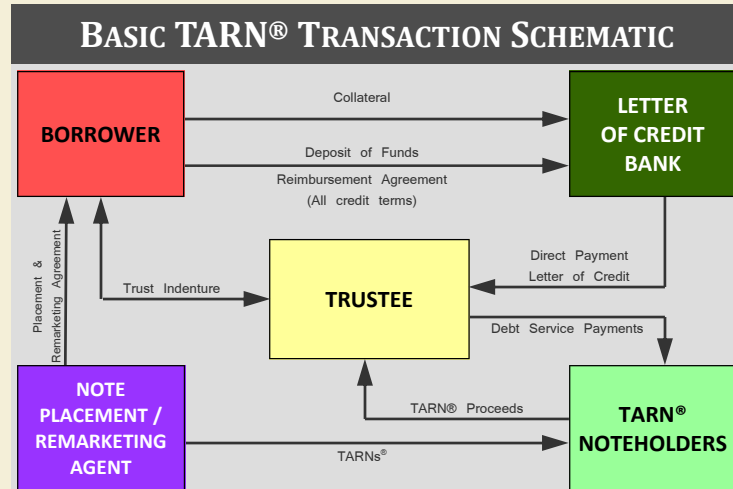


## An Introduction to the TARN® Financing & Investment Program

Third Coast Funding is proud to be the creator and exclusive home of the TARN® Financing & Investment Program (“TARN® Program”). The TARN® (an acronym for *T*axable *A*adjustable *R*ate *N*ote) is a security that is sold into the institutional money markets. TARNs® are issued as **50-year interest-only notes**, and offer a number of significant advantages and flexibilities over traditional debt financing methods.

The TARN® Program was developed as a means to allow sophisticated clients direct access to the commercial paper market for their financing needs. It is primarily used as an alternative to conventional and conduit financing for large commercial, industrial and residential real estate projects, but can also be used effectively for other asset classes.

We invite you to explore the highlights of the TARN® Program below and contact us to discuss in greater detail the many ways that the TARN® Financing & Investment Program can benefit your organization.



### Why Do Clients Benefit from the TARN® Program?

- **Leverage Bank Relationships**  
All credit terms are negotiated directly with the LOC Bank. Often, this is an existing banking relationship.
- **Lower Cost of Funds**  
TARNs® are historically priced near the 30-day LIBOR rate.
- **Variable or Fixed Rate Options**  
TARNs® are issued as a variable rate security. Fixed rates are available through the use of caps, swaps & collars.
- **Fifty Year Term and Revolver Feature**  
TARNs® are issued as interest-only notes with a stated maturity of fifty years. Standard bank amortization requirements will apply. The TARN® Program also has the ability to function as a revolving line of credit, which allows for the redeployment of funds for future asset acquisitions.
- **No Prepayment Penalty**  
The TARN® Program allows the issuer to repurchase outstanding notes, in whole or in part, at any time without penalty.
- **Invested Sinking Fund Option**  
Amortized principal payments may be invested in a managed securities portfolio, allowing for preservation of equity.
- **Combined Construction & Permanent Funding**  
TARNs® may be used for both construction and permanent financing, eliminating endless refinancing costs.
- **Multiple or Phased Project Funding**  
The TARN® Program can accommodate multiple or phased projects under common documentation, saving the client time and money.
- **Portable Credit Facility**  
TARN® clients are always in control of their financing. Credit enhancement can be moved to an alternate source at any time.
- **No Balloon Payment**  
TARNs® are not subject to any type of balloon payment provision, eliminating the periodic need to refinance.
- **Fully Assumable**  
TARNs® are fully assumable.

### Why Do Banks Benefit from the TARN® Program?

- **Competitive Advantage**  
Letter of credit financing allows banks to compete for higher quality assets and higher credit borrowers, which under Basel II results in lower reserve requirements. Banks have historically lost out on these opportunities to the conduits and insurance companies.
- **Preserve Liquidity**  
Letter of credit financing allows banks to earn higher ROE, without the need for actual funding, thus preserving liquidity.
- **Stable Fee Income**  
Banks have the opportunity through letters of credit to generate substantial, stable fee income, which is a key factor in a bank's credit rating evaluation.
- **No Cost of Funds**  
Because there is no funded loan on the books, there is enhanced ROA by eliminating the cost to borrow funds and hedge interest rate risk.
- **Multiple Fee Sources**  
The TARN® Program requires multiple fee/ROE generating services, including LOC, securities placement and remarketing, trustee, derivatives, investment advisory and more.
- **Lower Reserve Requirements**  
Under the Basel II Accord, unfunded credit facilities such as letters of credit require 50% of the typical eight percent Equity Capital Ratio. 364-day facilities may eliminate the need to reserve capital altogether.
- **Invested Sinking Fund Option**  
The Sinking Fund Option generates additional deposits and investment account management fees for the bank.
- **Lower Overall Cost of Origination**  
Letters of credit can be easily renewed at the bank's discretion, reducing the cost of origination associated with loans.
- **CAMEL Model Benefits**  
In every category, letter of credit business enhances a bank's standing under RMA's CAMEL model. Ask Third Coast for details.

\*\*\*In conjunction with the ongoing implementation of the Basel II Accord, letter of credit facilities are becoming a key centerpiece to many highly-rated banks' credit & profitability models.\*\*\*

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