



First Citizens Bank

Tax-Exempt Bond Construction Loan

Prepared for Fox Ridge Trace, LLC

6/25/25

First Citizens Bank
Community Development Finance
222 2nd Street, 17th Floor
San Francisco, CA 94105

Director
Dave Kautter
Telephone: (704) 915-0770
Email: David.Kautter@firstcitizens.com

Fox Ridge Trace

Fox Ridge Trace, LLC

Letter of Interest

Thank you for the opportunity to submit a letter of interest for the **Fox Ridge Trace**. Based on the information provided to us, following is a summary of terms **FIRST CITIZENS BANK** would be willing to consider for this transaction.

This letter should serve as an expression of our interest in proceeding further with our due diligence but should not be construed as a commitment to lend. Credit approval and specific lending commitments can be considered after we create a mutually acceptable loan structure.

Financing Structure

FIRST CITIZENS BANK ("Bank") is proposing a program that will provide privately placed tax-exempt loan financing for the **Fox Ridge Trace** development.

Under the tax-exempt financing, the bonds will utilize a "back-to-back" structure whereby a Governmental Lender (i.e. the same entity that would function as the Issuer in a Trust Indenture structure) issues a tax-exempt promissory note (which is called a "Governmental Note") to the Bank which Governmental Note evidences a loan made by the Bank to the Governmental Lender (the "Funding Loan"). The Governmental Lender then makes a parallel loan (the "Project Loan") to the property-owning Borrower, which issues a "Project Note" to the Governmental Lender to evidence repayment of that Project Loan. Collateral provided by the Borrower for the Project Loan is assigned by the Governmental Lender to a third-party Fiscal Agent, which will hold the collateral in trust for the Bank as security for the Funding Loan. The Bank will advance loan funds through a Fiscal Agent, with loan funds filtering down to the Borrower through the project loan.

The Bank will disburse proceeds on a staged draw basis, inclusive of hard construction costs, based on a percentage of completion, thereby eliminating negative arbitrage. Proceeds from each tranche would be due in full upon the earlier of (a) stabilization of the Project or (b) the date that is 30 months after closing.

Interest Rates and Financing Terms

First Citizens Bank Construction Bond:

Financing Program:	Private Placement Construction Product
Projected Loan Amount:	\$34,000,000
Construction Term:	Initial term: 30 months
	Extension Options: one 90-day extension options

Each extension is subject to various terms and provisions including, but necessarily not limited to, Borrower recapitalizing interest reserve, if necessary, to ensure the availability of funds to meet projected interest expense during each extension term.

Construction Interest Rate:

Fixed rate equal to the 30-Day Term Secured Overnight Financing Rate (SOFR) + 1.50% with an interest rate floor of 5.75% during the initial term.

The interest rate will be locked at the referenced interest rate 10 business days prior to financing close.

During either 90-day extension term, a variable rate, resetting monthly, equal to 30-Day Term Secured Overnight Financing Rate (SOFR) + 1.50% with an interest rate floor of 5.75%.

Current indicative rate (as of 6/25/25) is 5.83%.

Interest Calculation:

Actual/360

Interest Reserve:

Once the interest rate has been fixed, to occur 10 business days prior to financing close, interest reserve will be sized to cover a minimum average outstanding balance of 60% of the Projected Loan Amount for the initial loan term of 25 months + two 90-day extension options, or an interest reserve in an amount that is justified by a projected draw schedule, as reviewed and approved by Bank.

Any request for an extension to the Construction Term will be subject to Bank review and approval of interest reserve adequacy to ensure the remaining interest reserve balance at the time of any extension request is sufficient to cover the anticipated interest expense through the end of the extension term.

Developer Fee:

Developer Fee payment schedule must be acceptable to Bank. Cash Developer Fee payment at permanent conversion must equal at least 2.5% of the Projected Total Construction Bond Amount.

Recourse:

Full recourse obligation of the partnership and if Sponsor does not act as general partner, Sponsor must sign First Citizens Bank's standard payment and completion guaranties.

Maximum Bond to Value:

85%, where the value is equal to the appraised regulatory restricted value at stabilized occupancy, taking into effect the value of the low-income housing tax credits and the net

Environmental Review:

present value of any permanent below market financing.

As a condition of the Loan, Borrower must deliver to Bank any environmental documents and information that Bank reasonably requires, which will include an Environmental Questionnaire and Disclosure Statement prepared and certified by Borrower using Bank's prescribed form, and a Phase I (and Phase II, if advised in the Phase I) environmental site assessment report, prepared no later than six months prior to loan closing and prepared by a licensed or registered environmental engineer or other qualified party acceptable to Bank, stating that there are no hazardous substances present in, on, under or around the Property, and that there is no condition or circumstance that warrants further investigation or analysis of the Property in the preparer's opinion.

Environmental review must address mold, lead-based paint, asbestos, and pests. If any of these conditions are present, they must be appropriately abated.

Estimated Fees, Expenses & Other Conditions

Quoted fees and expenses represent estimates based on recent Bank experience with comparable transactions.

Construction Loan Origination Fee:	1.0% of the construction bond amount
Construction Loan Extension Fee:	Each 90-day extension: \$15,000
Appraisal:	\$12,500 - \$13,500 (third party expense)
Engineering & Environmental Review:	\$800 (third party expense)
First Citizens Bank Legal Fees:	\$80,000 estimated
Construction Cost Analysis:	\$3,500 - \$4,500 (third party expense)
Construction Inspections:	\$1,000 per draw (third party expense)
Tax Service Monitoring Fee:	\$2,600 (third party expense)
Insurance Review Fee:	\$5,600 (third party expense)
Good Faith Deposit:	Prior to requesting the appraisal, the Bank will collect

a good faith deposit of \$10,000 to be applied to payment of Bank expenses.

Minimum LP Equity at Loan Closing: 10% of tax credit equity commitment

Reporting Requirements: Guarantor, General Partner and Borrower financials:

- Audited financials – 180 days after FYE
- Quarterly financials – 90 days after QE

Following completion, Borrower monthly rent rolls and property operating statements within 45 days from each month's end. Guarantor REO schedule and cash flow projections, upon request of Bank.

Required Guarantees: Construction completion & payment during construction loan term from TBD Entities subject to bank underwriting.

Lender Approval Requirements: Construction changes order greater than \$50,000 or greater than \$250,000 in aggregate; hard cost contingency utilization exceeding percentage of project completion by more than 20%; no reallocation of interest reserve to hard or soft costs; lender should be contacted if there is any significant change in project team staffing.

Confidential

The terms and conditions outlined above are furnished for discussion purposes only and do not constitute an offer, agreement or commitment to lend as well as create any legal rights benefitting either party. Notwithstanding the foregoing, the terms offered in this letter shall expire in 60 days from the date of this letter. The purpose of this letter is to facilitate further discussion; it is not, in any manner, to be construed a commitment or agreement on the part of Bank to provide this financing. This Letter of Interest is not meant to be, nor shall it be construed as, an attempt to define all the terms and conditions of the construction and permanent financing. Rather, it is intended only to provide you with an idea of how we might structure the credit subject to completion of due diligence with results satisfactory to Bank, full underwriting, final credit approval, and execution of definitive loan and security documentation. We look forward to discussing this with you at your convenience.

This letter is delivered to you with the understanding that neither it nor its substance shall be disclosed publicly or privately to any third person except those who are in a confidential relationship to you (such as your legal counsel), or where the same is required by law and then only on a basis that it not be further disclosed.

Regards,



Dave Kautter
Director, Community Development Finance
First Citizens Bank