



First Citizens Bank

Letter of Interest Taxable Construction Loan

Prepared for DreamKey Partners

5/18/25

First Citizens Bank
Community Development Finance
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Eureka Mills

Letter of Interest

Thank you for the opportunity to submit a letter of interest for the **Eureka Mills** project. 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 construction financing and permanent financing for the **Eureka Mills** project. Under this structure, the Bank would provide construction financing and disburse the loan proceeds on a staged draw basis inclusive of hard construction costs based on a percentage of completion. At a conversion date to be determined, Bank will originate a permanent loan for the project which will pay down the construction loan in conjunction with other sources to be funded at conversion.

Construction Loan Interest Rates and Financing Terms

Financing Program: Conventional Construction Loan

Projected Loan Amount: An amount not to exceed **\$21,600,000**

Construction Term: Initial term: 24 months

Extension Options: two 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 Option
Fixed rate equal to the 30-Day Term Secured Overnight Financing Rate (SOFR) + **2.0%**

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) + **2.0%**

Interest Calculation:	Actual/360
Recourse:	Full recourse obligation of the partnership and if Sponsor does not act as general partner, Sponsor must sign Bank's standard payment and completion guaranties.
Maximum Loan to Value:	80.0%, 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 <u>and</u> the net present value of any permanent below market financing. Any commercial income may be analyzed to determine if it can be included in the valuation.
Interest Reserve:	<p>Interest reserve will be sized to cover a minimum average outstanding balance of 60% of the Projected Loan Amount for the initial loan term, or an interest reserve in an amount that is justified by a projected draw schedule, as reviewed and approved by Bank.</p> <p>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.</p>
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.
Environmental Review:	<p>As a condition to closing 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.</p> <p>The Phase I environmental report must be completed by a vendor approved by the Bank.</p>

Estimated Fees, Expenses & Other Terms

Construction Loan Origination Fee:	1.0% of the construction loan 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)
Bank Legal Fees:	\$30,000 (third party expense)
Construction Cost Analysis:	\$3,500-\$4,500 (third party expense)
Tax Service Monitoring Fee:	\$2,600 (third party expense)
Insurance Review Fee:	\$5,600 (third party expense)
Construction Inspections:	\$1,000 per draw (third party expense)
Good Faith Deposit:	Prior to requesting the appraisal, Bank will collect a good faith deposit of \$10,000 to be applied to payment of Bank's expenses.
Minimum LP Equity at Loan Closing:	10%
Reporting Requirements:	<p>Guarantor and Borrower financials (Guarantor during construction period only; Borrower only after 100% completion):</p> <ul style="list-style-type: none">• Audited financials – 180 days after FYE• Quarterly financials – 90 days after QE <p>Borrower monthly rent rolls and property operating statements, 45 days from each month's end upon completion; Guarantor REO schedule and cash flow projections, upon request of Bank.</p>
Required Guarantees:	Construction completion & payment during construction loan term from DreamKey Partners 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.

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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