1ST Bank Term Proposal

Questions, Concerns and Commitments

1. The bank will loan up to 80% with the balance coming from our cash reserves. That 20% can include what we have already spent with Cooper and the architect and anything else related to the USDA loan process.
2. Interest rated will not be below 7.5% but is calculated based on current SOFR (now 5.31%) plus 300 basis points (3%). It is a floating rate so today it would be 8.31%. It is an interest only loan payment with USDA take out at the end.
3. They have ask that all of our money goes in first before the bank loan starts. I have ask them to consider a mutual participation in this. That would mean we each would fund on an 80/20 basis from the beginning.
4. USDA has offered to allow the bank to have a partial lien on all of the property for the purpose of the loan. This requires and appraisal on all of the property. They would request 3 appraisers to submit a bid and we would choose one.
5. They would need verification that the building poses no environmental threats. Does Cooper already have this?
6. They require a bldg. inspection prior to each new draw. The would use in house personal and let me know soon about the cost.
7. They would like to have our 2023 Audit and I think it wise for us to give them our monthly budget report every few months plus the meeting notes from the meeting that we accept the proposal.
8. They will need to work with their in house counsel and maybe an outside counsel. I told them that we need to know those potential costs on the front end as we can roll them into the USDA loan. I do think it’s time to let USDA know we are looking for approximately 2.5 million.
9. Keep in mind that we need to give them an answer on the term proposal by next Wednesday so they can submit it to underwriting for review in order to get their acceptance or rejection.

Let me know if you have any questions or suggestions and how to handle this with the board. Accepting the terms is not a final commitment on our part.