



**TERM SHEET**  
**415 Cumberland Ave Project – Patrick Ducas**  
**September 2, 2015**

Dear Patrick,

Bangor Savings Bank looks forward to the opportunity to work with you on the 415 Cumberland Ave., Portland project. The proposed terms and conditions are provided for discussion purposes only and do not constitute an offer, agreement, or commitment to lend. The actual terms and conditions upon which the Bank might extend credit to the Borrower are subject to the satisfactory completion of due diligence, formal credit approval, satisfactory review of documentation and such other terms and conditions as are determined by the Bank.

**BORROWER:** 415 Cumberland Ave, LLC or LLC to be formed

**AMOUNT:** Up to \$1,425,000

**CREDIT FACILITY:** Construction Loan / Permanent Commercial Mortgage

**PURPOSE:** Fund the acquisition and renovation of a 15,260 sf mixed use commercial building located at 415 Cumberland Ave., Portland, ME. Upon completion of the project the building will contain 10 residential apartments and one commercial unit for lease. Loan to value no to exceed 75% based on an “as-complete” appraisal acceptable to the Bank.

**MATURITY:** Six (6) years

**AMORTIZATION:** Interest only payments for the first 12 months (“Construction Period”), thereafter Monthly P&I payments based on a 20-year amortization schedule

**REPAYMENT:** Interest only payments for the first 12 months; Monthly P&I payments for the remaining term thereafter

**INTEREST RATE:** Initially, the Loan shall accrue interest at a variable rate equal to WSJ Prime Rate + 1.00%, adjustable monthly. Commencing with the thirteenth payment, the Loan shall accrue interest at a fixed rate for five (5) years equal to the Bangor Savings Bank fixed rate

equivalent of Libor + 2.50% as of that day.. (As of today, the effective equivalent interest rate on the loan would be 3.60%).

**ORIGINATION**

**FEE:** .35% of the Loan Amount

**CLOSING**

**COSTS:** Borrower shall be responsible for all closing costs including appraisal, appraisal review, legal, recording, title, etc.

**COLLATERAL:** A first mortgage on the property located at 415 Cumberland Ave., Portland, Maine

Assignment of all leases and rentals on the property located at 415 Cumberland Ave., Portland, Maine

During the construction phase of the improvements, assignment of the construction contract and a first security interest in plans, approvals and all building related materials.

**GUARANTOR:** Mr. Patrick Ducas

**PREPAYMENT**

**PENALTY:** If loan is refinanced with another financial institution then the following prepayment penalty shall apply: 5% in Year 1, 4% in Year 2, 3% in Year 3, 2% in Year 4, and 1% in year 5.

No prepayment penalty upon sale of property.

**LOAN TO**

**VALUE:** The maximum loan to value for the project is seventy-five (75%) percent subject to a current appraisal to be ordered by the Bank, based upon the as-complete and “stabilized” value. Borrower shall pay for cost of appraisal.

**FINANCIAL**

**REPORTING:** On an annual basis within 120 days of fiscal year end, the Borrower shall provide the Bank with financial statements prepared by a CPA satisfactory to Bank.

Bank shall receive an updated and detailed Personal Financial Statement on the Guarantor on an annual basis within 120 days of year-end.

Bank shall receive a copy of guarantor’s Personal Federal Tax Return with all schedules along with the tax returns on all entities

in which guarantor has a significant ownership percentage. All tax returns to include K-1 statements and to be received within 120 days of year-end.

On an annual basis, or upon request, Borrower shall provide a copy of current rent rolls and leases for the subject property.

**FINANCIAL  
COVENANTS:**

Borrower and Guarantor agree to maintain minimum global debt service coverage ratio of 1.25X during the term of this loan. Unless specified otherwise elsewhere in this letter, said ratio shall be calculated annually based upon CPA prepared year end Business Financial Statements or Federal Income Tax Returns. For purposes of the calculation, debt service coverage ratio is defined as:

(Net Income + Depreciation/Amortization + Interest Expense +/- non-cash items +/- non-recurring gains or losses) divided by Scheduled Annual Principal and Interest Payments.

**CONDITIONS:**

Subject to satisfactory review of construction budget, project plans, specifications, and construction management contract.

Borrower to provide a signed Construction Management Agreement providing a fixed-price construction contract with all significant sub-contractors, a detailed budget containing acceptable contingencies and timeline for the project along with a list of all subcontractors.

Borrower to establish an operating deposit account with Bangor Savings Bank.

Subject to terms and conditions of a construction loan agreement including establishment and maintenance of construction escrow account with the Bank. Construction advances will be administered by the Bank according to standard construction loan disbursement and inspections procedures including the monitoring of construction by a third-party inspector. Borrower shall pay all construction monitoring fees charged by inspector.

The loans are subject to satisfactory environmental due diligence by the Bank. Borrower shall complete an Environmental Questionnaire. Any required follow-up analysis shall be at the Borrower's expense and shall be performed by a qualified environmental consulting firm retained by the Bank.

Borrower to fund at closing a minimum of nine (9) months debt service to be placed in a reserve account at Bangor Savings Bank.

Guarantor to furnish to the Bank an investment statement no more than 30 days old verifying personal investments under management identified on an 8/26/2015 Personal Financial Statement.

We look forward to discussing this proposal with you and finding a mutually acceptable financing plan for the proposed project.

Sincerely,



Michael P. O'Reilly SVP on behalf of  
Chris P. Perry  
Vice President  
Business Banking

SEEN AND AGREED TO:

Borrower:

415 Cumberland Ave, LLC or Entity to be Formed

By: Patrick Ducas  
Its:

Date



## CONFIDENTIAL TERMS SHEET

**The Terms And Conditions Described Below Are Subject To Satisfactory Submission By The Applicant Of All Information As May Be Required By Gorham Savings Bank For Its Use In Consideration Of The Application, And Subject To Gorham Savings Bank's Satisfactory Due Diligence, Its Internal Credit And Loan Approval Process, And Satisfaction Of Such Other Matters And Issues As It Deems Necessary In Its Sole Discretion. A Financing Commitment, If Issued, Will Be In Writing.**

Date: August 27, 2015

Borrower: 415 Cumberland Ave., LLC

Loan Type: Acquisition/Construction/Permanent Financing Term Loan

Loan Purpose: Finance the purchase of real estate located at 415 Cumberland Avenue, Portland, Maine and provide additional funds to renovate the property.

Maximum Amount: Up to \$1,534,277.00

Term: 10 years

Interest Rate: 4.75% fixed for 10 years

Prepayment Penalty: If Borrower shall pay principal in excess of the scheduled amortization of principal under this note within the first five years of any fixed rate period, such excess payment of principal shall be subject to a prepayment premium to the Bank in an amount equal to the excess principal payment amount times 5% during the first year of the fixed rate period, 4% during the second year, 3% during the third year, 2% during the fourth year, and 1% through maturity.

Loan Origination Fee: \$2,500.00

Payment Schedule: Payments of interest-only will be due monthly for 2 years, then principal and interest payments monthly based on a 20-year amortization schedule. Any outstanding principal balance plus any accrued interest will be due and payable at maturity.

Collateral: First priority mortgage on land and buildings located at 415 Cumberland Avenue, Portland, Maine; Assignment of leases and rents; Assignment of state historic tax credits and syndication proceeds; Assignment of construction documents (contracts, permits, approvals, etc.)

- Guarantors: Unlimited personal guaranty of Patrick L. Ducas
- Financial Covenant: The Borrower will maintain a debt service coverage ratio of at least 1.20:1.0 beginning with year 3. The calculation for this ratio will be (Net Income after Tax + Depreciation/Depletion/Amortization + Interest +/- Non-recurring Items +/- Distributions) divided by required (Annual Principal & Interest Payments). Non-Recurring items will include other income/expenses that are not part of the normal ongoing operations of the company, as determined by the Bank.
- Financial Reports:
- Borrower to provide annual federal tax returns.
  - Guarantor to provide annual personal financial statement and federal tax return.
  - Copies of executed leases (when available).
- Other Terms and Conditions:
- Subject to review and acceptance by the Bank of an “as completed” real estate appraisal on the collateral property yielding a maximum loan to value ratio of 80%.
  - Subject to appropriate level of environmental due diligence on the collateral property.
  - Subject to receipt and review of final Project construction budget, time line, permits, approvals, legal opinions, and contracts.
  - Loan disbursements shall be made under a Construction Loan Agreement subject to borrower requisition and supply of mechanic lien waivers.
  - Subject to ongoing inspections to be completed by a qualified third-party.
  - Subject to receipt of a title insurance policy in the amount equal to the loan. The title policy shall include survey coverage and mechanics line coverage coinciding with disbursement of funds.
  - Flood certification on pledged real estate.
  - A 2.5% replacement reserve to be funded monthly.
  - Borrower to establish a debt service escrow account of \$25,000.00 with Bank at closing.
  - During the term of the loan, Borrower and guarantor to maintain their primary deposit relationship with the Bank.

Sincerely,



Roger C. Levesque  
Executive Vice President  
222-1491