

Section 5 -Financial Capacity

Financing:

Bank financing will be utilized for funding the desired improvements. The Washington Trust Company has provided J&J Gove Development a letter of Commitment to Fund. Numerous additional banks are eager to participate in the loan as well.

Attachment: Letter of Commitment to Fund - Washington Trust Company



August 20, 2015

Mr. Jeffrey Gove
Mr. Christopher Nash
Westbrook ME, LLC
7 Swain Drive
Hampton Falls, NH 03844

RE: Financing for a to be built multi-tenanted retail center located at Larrabee Road and Main Street, Westbrook, ME

Dear Jeff and Chris:

It was a pleasure to see you last week and to discuss your retail development planned for Westbrook, ME. We like the project, have reviewed your request for the financing, and are interested in providing financing. The Washington Trust Company (Bank) is considering the following loan structure based on what we know of the project at this time. The proposed terms and conditions contained herein are provided for discussion purposes only and in no way constitute an offer, agreement or legally binding commitment to lend. The actual terms and conditions upon which the Bank might extend credit are subject to satisfactory completion of underwriting due diligence, approval in accordance with the Bank's commercial lending policy, satisfactory review of documentation and such other terms and conditions as are determined by the Bank or its counsel in their sole discretion.

Borrower

To be formed limited liability company controlled by Jeffrey Gove and Christopher Nash.

Guarantors

The loan shall be fully guaranteed on a joint and several basis by Jeffrey Gove and Christopher Nash.

Amount

Up to 75% LTV of the stabilized value and subject to an underwriting DSC of 1.35x based on leases in place.

Use of Funds

To provide construction and permanent funds.

Term

Construction/Stabilization: Up to two years
Permanent Period: 8 years

Interest Rate Options/Term

Construction/Stabilization:
Float at the 30 day LIBOR + 2.75%.

Permanent Period:

Float at the 30 day LIBOR + 1.90%, or

Float at the 30 day LIBOR + 1.90% fixed via a swap interest rate derivative for a period of up to 8 years, or
Fix via the comparable FHLBB classic advance rate plus 1.90% for 1-7 years.

If the floating rate option is selected, Borrower may consider purchasing an interest rate cap at closing.

Repayment

Monthly payments of interest only during construction period thereafter principal and interest based upon a (25) twenty five year amortization schedule.

Commitment Fee

One half of one percent (1/2%) to be paid at closing.

Prepayment

Borrower may prepay loan at any time, however, in the event the loan is repaid during the first 36 months from closing, a 1% exit fee shall be required. If the swap rate is taken, the loan shall be subject to any swap breakage fee, if applicable. If the FHLBB rate is selected, early prepayment will be tied to a make whole provision.

Collateral

Loan to be secured by a first mortgage position on property located at Larrabee Road & Main Street, Westbrook, ME. Collateral assignment of leases and rents will be required as well as all permits, approvals, construction contracts and related documents.

Construction

Bank reserves the right to approve the contractor and/or the major subcontractors. We will request a reference from the contractor's bonding agent. The loan proceeds will be advanced in accordance with the Bank's standard construction loan advance procedures with 10% retainage held back until the project is 50% complete and the retainage is reduced to 5%. A monthly draw request budget will be requested. Interest reserve will be carved out of the construction loan to fund interest expense monthly.

Engineering

The Bank shall require a plan/budget review of the project prior to closing and periodic inspections by the Bank's inspecting engineer prior to all hard cost loan advances.

Financial Covenants

The loan will be subject to annual DSC test to support a minimum DSC of 1.15x. Testing will start at the end of the first year of stabilized occupancy. If the rate is floating and not subject to a swap, a 200bp increase over the floating rate in place as of year-end will be used to calculate DSC for the covenant test. DSC defined as gross revenue less operating expenses (net operating income) divided by the fully amortizing annual debt service. The maximum LTV covenant will be 75%.

Appraisal

Bank to obtain acceptable appraisal indicating a stabilized market value of the property to support a maximum 75% LTV ratio.

Fees

Fees incurred in connection with the closing of this transaction will be the responsibility of the Borrower and will include, but are not limited to, appraisal, environmental, construction inspection fees, review of plans and spec fees, and legal fees.

No Material Adverse Change

There shall be no material adverse change (as determined by the Bank) from the information furnished to us in the circumstances or conditions affecting the Borrower or the mortgaged property.

Annual Financial Reporting

- Copies of Borrowers independently prepared financial statements and tax returns, as available.
- Copies of Guarantors personal tax returns (two years) and current personal financial statements signed.
- Global cash flow statements for managing members' portfolio.
- Other financial reporting deemed reasonable.

Insurance

Upon approval and prior to loan closing, the Borrower will have delivered to the Bank satisfactory evidence of builders risk insurance, casualty and liability insurance on the mortgaged property, including flood insurance only if the mortgaged property is located in a flood hazard zone.

Other Underwriting Provisions

- Other terms and conditions may be imposed as the Bank completes its due diligence process.
- Sponsors to provide to Bank a global cash flow analysis relative to its real estate portfolio to demonstrate solvency and adequate cash flow.
- Guarantors shall maintain a minimum amount of liquid assets (cash, marketable securities and other cash equivalents) and a minimum net worth on an aggregate basis. The amounts are to be determined.
- Receipt and satisfactory review of leases and tenancy.
- Satisfactory underwriting of tenancy.
- Bonding agent reference for construction contractor(s).
- Satisfactory environmental reporting and review of reports.
- Satisfactory appraisal to be ordered by the Bank establishing a maximum LTV of 75% of the value.
- Satisfactory credit references for borrowers and sponsorship.
- Borrower to establish primary operating account at The Washington Trust Company.
- Subject to the Bank participating a percentage of the loan to another lender.

Special Requirements

Borrower to furnish all necessary documents pertaining to this transaction, including, but not limited to: surveys, title insurance, Certificate of Good Standing from the Secretary of State, Certificate of Good Standing from the Division of Taxation, liability and fire insurance mortgagee and loss payee. All documents in connection with this transaction are subject to review and approval by the legal counsel to The Washington Trust Company.

This term sheet briefly outlines the Bank's potential financing. It is not a commitment letter. A formal commitment may be issued upon the satisfactory completion of underwriting, as well as the approval of the Bank's Finance Committee. If these terms and conditions are satisfactory to you, please indicate by signing below and returning one signed copy to the undersigned with \$10,000 to be applied to closing and underwriting fees.

If the loan request is approved, the funds will be applied toward closing costs. If the loan request is not approved, the fee will be returned less any out-of-pocket expenses. If the transaction is approved and not closed, the fee will be considered earned by the Bank.

Please return this term sheet to my attention by September 1, 2015, otherwise this term sheet shall be deemed null and void and of no further force or effect after such date.

Very truly yours,



Laurel Bowerman, VP
Commercial Real Estate Team
The Washington Trust Company

Borrowers:

Westbrook LLC

By: _____

Date _____