



Rabobank

May 7, 2015

Ms. Kelly M. Cadiente
Director of Administrative Services
Marina Coast Water District
2840 4th Avenue
Marina, CA 93933

Address Post Office Box 450
Salinas, CA 93902

Re: Expression of Interest Letter for Three Lending Facilities to Finance the BLM Building, 940 2nd Avenue, Marina, California

Dear Ms. Cadiente:

Rabobank, N.A. ("Lender") is pleased to present you with this expression of interest as outlined below. The terms and conditions set forth in this letter are to be used as a basis for continued discussions and do not constitute a commitment by Lender to extend credit or an agreement of Lender to prepare, negotiate, execute or deliver such a commitment. Rather, negotiations adding to or modifying these terms may occur and Lender's decision to finance your request is contingent on completion of Lender's due diligence in accordance with its policies and procedures, and the decision to lend is at Lender's sole discretion once all relevant information has been received and evaluated.

This summary is not to be released to or discussed with any third party without the prior written consent of Lender. All figures, terms and conditions contained herein are subject to change at any time.

SUMMARY OF TRANSACTION TERMS AND CONDITIONS

Borrower: Marina Coast Water District, hereinafter "Borrower" or "MCWD".

Guarantor: None

Lender: Rabobank, N.A., a national banking association, or any affiliate

Loan Types: The three facilities for which you are applying are the following:

1. A 12 month construction Loan in the amount of \$2,776,000.00, with a 6 month Extension Option, convertible to a 10 year term loan upon completion and tenant move-in.
2. A one year commercial loan in the amount of \$389,600.00, with a 6 month Extension Option, secured by the assignment of the General Services Administration's obligation to reimburse MCWD for tenant improvements at the subject property.
3. A ten year cash-secured Non-Revolving Line of Credit ("NRLOC") in the amount of \$334,400.00.

Estimated Loan Amount: \$3,500,000 for the three lending facilities combined. For the construction/term loan, the loan amount is equivalent to 80% of stabilized appraised value of the real property collateral.

Purpose: Construction and permanent financing for a build-to-suite office building for the Bureau of Land Management ("BLM"), with above standard tenant improvements.

Interest Rate: 1. Construction Loan:
Interest: The 30-Day LIBOR Rate plus 3.25%, no floor (the "LIBOR Indexed Rate"). *Note: As of the date of this letter, the indicative 30-day LIBOR rate is 0.18% and the all-in rate is*

3.43%. Construction loan is to be interest only.

Term Loan:

At conversion of the construction loan to the ten year term loan upon completion of construction (see term loan provision below), interest rate to be based on 10 year LIBOR Swap Index + 2.50%. *As of the date of this letter, indicative 10 year LIBOR Swap Index is 2.27 for an all-in rate of 4.77%.*

The interest rate above is an indicative rate based on today's interest rates. The rates will continue to float until Borrower has signed and returned this Expression of Interest letter.

2. The one year commercial loan for \$389,600.00:

Interest: The 30-Day LIBOR Rate plus 3.25%, no floor (the "LIBOR Indexed Rate"). *Note: As of the date of this letter, the indicative 30-day LIBOR rate is 0.18% and the all-in rate is 3.43%.* The one year commercial loan is to be interest only.

The interest rate above is an indicative rate based on today's interest rates. The rates will continue to float until Borrower has signed and returned this Expression of Interest letter.

3. Non-Revolving Line of Credit.

Interest: The NRLOC rate will be related to the rate paid to Borrower on the Certificate of Deposit ("CD") or other cash investment instrument(s).

Fees:

Construction loan fee: 0.5% of loan commitment amount (\$13,880), payable at closing.
Term loan fee: 0.5% (\$13,880), payable upon conversion from construction to term loan.
If Borrower does not use the term loan, an exit fee of 0.5% will be charged.

Loan fee on the one year commercial loan is to be 0.5% (\$1,948.00).

Loan fee on the ten year NRLOC is to be 0.25% (\$836.00).

Loan Processing fee of \$2,500.

Additional fees include the following, and are estimated at:

Appraisal fee estimated: \$6,000
Appraisal review fees estimated: \$1,000
Phase 1 Report review estimated: \$1,500
Title & escrow fees estimated: \$5,000
Legal fees estimated: \$7,500
Construction management fee of \$2,500.

There will also be monthly inspection fees until completion.

This fee list may not be all-inclusive.

Prepayments:

Prepayments: Payment of all or a portion of the unpaid principal balance of the construction loan is permitted without penalty. After the construction loan converts to a term loan, the prepayment premiums on the term loan will be as follows: Year 1: 5%; Year 2: 4%; Year 3: 3%; Year 4: 2%; Year 5: 1%; Years 6 -10: none.

Prepayment of all or a portion of the unpaid principal balance of the one year commercial loan for \$389,600 and the ten year cash-secured NRLOC is permitted without penalty.

Required Payments:

All accrued interest on each facility is due on the 10th day of each month after the closing date. During the construction phase, interest payments to come from any of the three loans which comprise the financing facility.

Maturity Date:

Maturity Date:

1. Construction Loan: All previously unpaid principal, interest and other charges shall be due not later than 12 months after the construction loan is recorded, or 18 months if the 6 month loan extension option is exercised. Term Loan: All previously unpaid principal, interest and other charges shall be due not later than 120 months from the date that the construction loan converts to a term loan ("Maturity Date").

2. \$389,600 commercial loan: All previously unpaid principal, interest and other charges shall be due not later than 12 months after the construction loan is recorded, or 18 months if the 6 month loan extension option is exercised. .

3. \$334,600 NRLOC: All previously unpaid principal, interest and other charges shall be due on the Maturity Date.

Good Faith Deposit:

\$10,000.00 (already paid). Said deposit will be applied to the cost of the appraisal, environmental charges, loan processing and other costs shown above incurred by Lender prior to close of escrow.

- In the event Lender declines the loan, the good faith deposit will be refunded to Borrower, less any third party costs incurred up to the date of Lender's declination of the loan.
- In the event Lender commits to the loan pursuant to the basic terms of this proposal letter and Borrower does not accept same and/or close the loan within the commitment period, Lender will be entitled to retain the remainder of the good faith deposit as a commitment fee to compensate Lender for its processing and approval of the loan.

Collateral:

1. Construction Loan/Term Loan: A first lien and security interest in and to the real estate collateral to be occupied by the BLM located at 940 2nd Avenue, Marina, California.

2. The \$389,600.00 commercial loan: An assignment of the General Service Administration's obligation to reimburse MCWD for \$389,600 worth of tenant improvements at 940 2nd Avenue

3. The \$334,400.00 Certificate of Deposit-secured NRLOC: The cash securing the CD.

Conditions Precedent:

- Final Credit Approval. (This is expected later this month.)
- Financial statements for the last 3 fiscal years and the most recent interim statement. (Done)
- Borrower to provide an opinion letter from its attorney stating that Marina Coast Water District has the authority to borrow for this purpose and is legally able to provide real property as collateral. (Still needed.)
- Receipt and review of a fixed price construction contract and project cost breakdown from a qualified general contractor. (Done)
- Receipt and review of all executed leases/amendments by/between MCWD and BLM (the Bureau of Land Management). (Done)
- Completion of transaction documents acceptable to Lender. (Will be completed upon final credit approval.)
- Lender's policy of title insurance and endorsements covering the real estate collateral. (Acceptable preliminary title report received; final title policy to be issued close to closing.)
- Appraisal and appraisal review by an approved RNA Appraiser. (Done)
- Environmental questionnaire completed by the Borrower, or owner of the real estate collateral, if different, in a form approved by Lender. (Done)
- Phase I environmental assessment of the real estate collateral performed by a third party consultant approved by Lender. (Done)
- Inspection of the collateral by an officer of Lender or another representative of Lender. (Done)
- Receipt of a project cost analysis ordered by and acceptable to Lender and paid for by Borrower. (Done; to be paid from the previously received good faith deposit.)
- No material adverse change in business, properties, financial condition or results of operations of the Borrower, and no material change in management or ownership

- structure of Borrower. (To be confirmed by Borrower.)
- No litigation or other proceeding that would materially affect the parties (other than Lender) or this financing. (To be confirmed by Borrower.)
- All required regulatory approvals, permits and licenses, including grading and building permits, to have been received by Lender before regular monthly construction draws commence. (Done)
- Course of Construction funding: Borrower required to submit draw requests in conformance with the Bank's construction disbursement policy. (To be done.)
- Evidence of all required insurance, including Course of Construction insurance, acceptable to Lender. (To be provided by Borrower.)
- Term Loan Conversion Provision: At conversion of the construction loan to the term loan, the Borrower will be required to pay the 0.5% term loan fee and to provide evidence of:
 - (a) Notice of Completion;
 - (b) Certificate of Occupancy;
 - (c) Tenant in occupancy, paying rent, with lease in full force and effect;
 - (d) Lien free endorsement; and
 - (e) Fully executed Estoppel and Subordination & Non-Disturbance Agreement executed by and between the Bureau of Land Management and Rabobank N.A.
- All representations and warranties are true and correct; and
- Receipt by the Lender of all fees and expenses required to be paid prior to the closing date.

In addition to the conditions above, the following endorsement will be required for exercise of the Six-Month construction loan extension option:

- 101.2 Mechanics Lien Endorsement issued by Title Company.

- Fund Control Service:** Borrower to pay for the outside fund control service and inspections to be used for monthly disbursements during the construction loan period.
- Reporting Requirements:** Borrower to provide its annual statements as soon as available, but in no event later than 150 days after the end of its fiscal year. Statements are to be CPA audited.
- Deposit Accounts:** Borrower shall set up a deposit account with Lender which shall be used in connection with the subject project.
- Underwriting** The subject credit facility will be required to support:
1. Loan amount not to exceed 80% of appraised value based on the April 6, 2015, appraisal of the subject property performed by CBRE.
 2. Debt service coverage ratio of not less than 1.25 to 1.00 during the term loan; this will be based on actual operation of the building as measured after the completion of one year of operations by tenant BLM. The "debt service coverage ratio" is defined as the ratio of the Annual Net Operating Income for the subject real estate to the principal, interest and other charges due on the 10 year term loan for the subject real estate, measured on an annual basis.
- Closing:** The closing will occur upon execution of the definitive documentation containing the terms and conditions governing the transaction and the satisfaction of all conditions precedent.
- Interest will begin to accrue on the date of any advance of the principal amount of the Loan, even if prior to the date of the closing.
- Lender's Expenses:** In addition to those above, all Lender's expenses in connection with the underwriting, documentation, and closing of the transaction will be due on the closing date.
- Governing Law:** The loan documents shall be governed by the laws of the State of California.

This letter and its contents are only an expression of interest on the part of Lender. It is not a commitment to grant any financial accommodations of any kind or nature to the Borrower or any person or entity related to the Borrower. Lender's approval will be subject to a complete submission by you of a loan package and such other data, financial statements and other information as Lender and its counsel shall require. Any financial accommodations that will be extended by Lender, if any, shall be subject to Lender's underwriting policies and procedures and approval of Lender's appropriate delegated authority. All loan documents and submissions are to be in form and content satisfactory to Lender in its sole discretion.

This letter and its contents are furnished as a guideline for future discussions. Only formal written documents in a form and content approved by Lender will bind Lender in any manner. This letter supersedes all prior correspondence and conversations regarding the proposed financial accommodation(s) just have requested.

Sincerely,



Chris Reynolds
Vice President
Relationship Manager
Rabobank, N.A.

ACKNOWLEDGEMENT

If the terms expressed in this letter meet your needs and you wish to continue please indicate your acceptance of the above terms by executing this letter in the space provided below, which upon execution will be considered a part of your loan application, and return it to me by no later than 10 days from date of letter .

Proposal accepted and agreed to as of this ____ day of _____, 2015.

MARINA COAST WATER DISTRICT

By: _____

Its: _____