



October 15, 2021

Mr. Michael Wong
Director
Harrisonburg Redevelopment & Housing Authority
PO Box 1071
Harrisonburg, VA 22801

Dear Mr. Wong,

On behalf of Bank of the James, I am pleased to offer the following financing commitment, subject to the terms and conditions outlined below.

Borrower: Harrisonburg Redevelopment and Housing Authority

Loan Amount: Tax-exempt term loan of up to, but not exceeding, \$2,300,000.

Purpose: Fund renovations of 60 apartment units known as the Lineweaver Annex in Harrisonburg.

Term of Repayment: The loan shall be repaid over the Borrower's option of a period of 15 or 20 years consisting of monthly payments of principal and interest based on the prevailing interest rate.

Interest Rate: Borrower will have the option of Bank Qualified Tax-Exempt rate of 2.20% for the first five years or 2.88% fixed for ten years. At the end of the initial rate term, and every five years thereafter, the BQTE rate shall adjust based upon the Five-Year United States Treasury Yield plus a margin of 2.5% multiplied by one minus the Bank's income tax rate. Note that changes in the Bank's income tax rate may affect the BQTE rate throughout the life of the loan. Non-Bank Qualified Tax Exempt and Fully Taxable rates are available upon request. The initial rate will serve as the floor rate for the life of the loan.

Tax Treatment: All rates are subject to the loan being "bank qualified" under section 265 of the Internal Revenue Code, as determined in the opinion of the Borrower's counsel.

Bank Closing Costs: Origination fee of \$1,500, payable at the initiation of the loan. This fee may be financed into the loan amount if the Borrower so chooses.

Annual/Ongoing Fees: None.

Prepayment Penalties: None. The Borrower may prepay the debt at any time, without penalty.

Collateral: The loan shall be secured by a first priority Credit Line Deed of Trust and Assignment of Leases and Rents on 60 apartment units known as the Lineweaver Annex

Guarantor: None.

Financial Information: The Borrower agrees to annually provide Bank of the James with a copy of its audited fiscal year-end financial report upon completion.

Bank Qualified Opinion: Borrower's counsel will provide a satisfactory opinion as to the eligibility of the financing for "bank-qualified" tax exemption. Should at any time the loan lose its bank qualified tax exempt status, the interest rate charged will revert to the tax exempt or taxable equivalent rate for the given term pricing and beyond.

Appraisal: A third party appraisal will be required on the properties, subject to Bank review and approval prior to closing. The loan will be limited to 70% of the appraised value.

Loan Covenants: There will be no loan covenant requirements by the Bank.

Fees and Expenses: Borrower agrees to pay all fees and expenses associated with closing the loan including, but not limited to, review fees, attorney fees, issuance fees and recording fees if applicable. Bank recognizes a cap of \$5,000 for Bank counsel to review all loan documentation if needed.

Assignment: This offer is not assignable without the prior written approval of the Bank.

Expiration: All rates and terms described in this commitment are valid for 180 days. Any extensions will require written approval by the Bank.

Thank you for the opportunity to meet your lending needs. Should the terms and conditions described above be acceptable to you, please sign below and return this letter to the bank. In addition, please contact me at 540.478.5808 or trea@bankofthejames.com if you have any questions.

By execution of a Promissory Note reflecting the terms and conditions described above the Borrower accepts this commitment.

Sincerely,



Thomas D. Rea
President, Shenandoah Valley Region

Accepted as Outlined Herein:

Harrisonburg Redevelopment and Housing Authority:

By: _____
Michael Wong

_____ Date



Harrisonburg Redevelopment & Housing Authority
Attn: Michael Wang, Executive Director
P. O. Box 1071
Harrisonburg, VA 22803

October 15, 2021

Dear Mr. Wang:

United Bank ("Bank") is pleased to submit the following summary of proposed terms and conditions for discussion purposes only. This is not a commitment to lend but, rather, is intended to form a basis for discussion of the key loan terms and conditions between the Bank and the Borrower.

**Borrower/
Borrowers:** Harrisonburg Redevelopment & Housing Authority

**Guarantor/
Guarantors:** None

Purpose: Renovation/permanent loan to fund improvements of Lineweaver Annex Apartments.

Loan Amount: The lesser of \$2,300,000.00 or 75% Loan to Value.

Interest Rate: During renovation period for up to 12 months a variable rate equal to 80% of Prime plus .25% if the loan is bank qualified tax exempt. If not BQTE, rate would be Prime plus .25%.
 After first 12 months, rate to be fixed for 4 years at 80% of 5-year Treasury plus 2.75%. Rate will then be fixed at the beginning of the fifth year at the then current 5-year Treasury plus 2.75%, if bank qualified tax exempt. If not rate to equal 100% of rates stated above.

All interest shall be computed and charged for the actual number of days elapsed on the basis of a year consisting of three hundred sixty (360) days.

Fees: Borrower shall pay a commitment fee of \$5,000.00. Additionally, Borrower will pay a \$2,500 construction management fee.

Loan Term: Ten years subject to the conditions described herein.

**Repayment
Terms:** Interest only payable monthly during the first 12 months. Convert to up to 25-year amortization of principal and interest payable monthly with maturity at the end of 10 years.

**High Volatility
Commercial
Real Estate:**

The obligation of the Bank to make advances of the Loan will be conditioned at all times upon: (1) the Borrower having invested equity in the Property equal to not less than 15% of the appraised "as-complete" value of the Property (the "Minimum Required Equity") prior to any advances of the Loan, and (2) the ongoing investment of this Minimum Required Equity in the Property until the Loan has been paid in full to ensure that the Loan will at no time be classified as High Volatility Commercial Real Estate under Basel III regulations. Without limiting the foregoing, the Borrower may not make any distributions that would cause the Loan to be classified as High Volatility Commercial Real Estate pursuant to Part 217 of Chapter II of title 12 of the Codes of Federal Regulations.

Collateral:

A first lien and security interest in property known as Lineveaver Annex Apartments. No additional liens or encumbrances will be permitted on the Collateral.

**Prepayment
Terms:**

No prepayment penalty.

Appraisal:

Prior to approval and closing the Bank will order, receive, and review an appraisal of the Collateral which must be satisfactory to the Bank in its sole discretion which appraisal will indicate values as follows:

- Property value as-is as of appraisal date.
- Value as-if complete at anticipated completion or lease update.
- Value as-if stabilized at anticipated stabilization date.

Covenants:

Maintain a debt service coverage ratio of at least 1.1 to 1.

Other Items:

Receipt, review, and approval of additional items including, but not limited to, the following items:

1. Borrower financial statements
2. Rent Roll

Documentation:

The Loan would be evidenced by Loan documentation in form and substance satisfactory to the Bank.

**Costs And
Expenses:**

The Borrower would pay all third-party costs and expenses related to the Loan which would include but may not be limited to legal, appraisal, environmental, flood certification, and survey costs, title, property, builder's risk and hazard insurance costs, and recordation costs whether the Loan closes or not.

This Non-Binding Term Sheet is for informational and discussion purposes only. Additional due diligence on the part of the Bank is required before a commitment to lend can be issued. While these terms are non-

binding and may change even after acceptance, we would appreciate your acknowledging and accepting these terms for discussion purposes no later than [no more than 30 days from issuance]. After that date, the Bank would need to reevaluate the terms described above.

This Non-Binding Term Sheet is confidential and may not be disclosed to third parties without prior written consent of the Bank.

Thank you again for the opportunity to provide this Term Sheet to you. I look forward to working with you.

Please contact me with any questions at 540-450-3043 or harry.smith@bankwithunited.com.

Very truly yours,



Harry Smith
Market President, Sr.

These terms have been acknowledged and accepted this _____ day of _____ 2021.

Borrowing Entity Name

Name: _____

Title: _____