



NANO BANC®

Date

Borrower

Address

RE: x

Dear x,

On behalf of Nano Banc (the “Lender”), we are pleased to open for discussion the ways we can meet your credit needs. 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 of the Lender to lend or an agreement of the Lender to prepare, negotiate, execute, or deliver such a commitment. The Lender’s decision to finance your credit request is contingent on completion of due diligence according to policy and the decision to lend is at the Lender’s discretion once all the information is received and evaluated.

In order for us to proceed, please execute and return the following documents:

1. Executed Letter of Intent; and
2. A completed preliminary loan application package.

Should you have any questions on this Letter of Intent or completing the loan application package, please contact your Relationship Manager.

We appreciate your giving us this opportunity to assist you with your financing needs.

Borrower: x

Guarantor: x

Recourse: x

Key
Principals/Principals: Any and all persons in control of Borrower; any and all Principals (whether entity or individual) with a 25% or greater interest in the Borrower and/or others as determined by Lender. Beneficial owner(s) are or will be, but are not limited to, the following:

x

Facility: x

Use of Funds: x

Loan Amount: x.

Initial Availability: x

Loan Fees: x

Documentation Fees: x

<u>Interest Rate:</u>	x
<u>Interest Rate Floor:</u>	x
<u>Payments:</u>	x
<u>Term:</u>	x
<u>Amortization:</u>	x
<u>Extension Option:</u>	x
<u>Collateral:</u>	x
<u>Prepayment Penalty:</u>	x
<u>Expenses:</u>	Borrower agrees to reimburse Lender for expenses incurred in connection with any due diligence and out of pocket expenses. These expenses include without limitation appraisal and appraisal review costs, environmental and review costs, credit reports, lien searches, title insurance and documentation costs.
<u>Indemnity:</u>	Borrower shall indemnify, pay and hold harmless the Lender against any loss, liability, cost or expenses incurred in respect to the financing contemplated hereby, the use or the proposed use of the proceeds hereof or any loss incurred as a result of environmental issues.
<u>Deposits:</u>	Borrower to open and maintain a deposit account(s) with Lender and establish automatic withdrawal of monthly loan payments from one of said accounts.
<u>Lock Up Period:</u>	If the loan has not closed within <u>(x)</u> days of LOI acceptance the Lender reserves the right to revisit loan commitment, rate, and all structural elements and re-issue an amended LOI.

CONDITIONS AND COVENANTS

Reporting Requirements:

Borrower:

- **Company's Financial Statements.** As soon as available, but in no event later than forty-five (45) days after each December 31st and June 30th, or fifteen (15) days after interim requests, Borrower to provide a balance sheet and income statement for the period ended, in form and content acceptable to Lender.
- **Rent Roll.** As soon as available, but in no event later than forty-five (45) days after each December 31st and June 30th, or fifteen (15) days after interim requests, Borrower to provide a current rent roll on the Collateral Property, in form and content acceptable to Lender.
- **Business Tax Returns.** As soon as available, but in no event later than ten (10) days after filing, Borrower to provide annual tax returns. Tax returns are understood to be federal and other governmental tax returns with all schedules, and federal tax returns for any and all entities reported on the tax returns or for related entities.

Guarantor:

- **Personal Financial Statement, Real Estate Schedule, and Schedule of Debts.** No less than once annually and within fifteen (15) days after request, Guarantor to provide a Personal Financial Statement ("PFS"), Real Estate Owned Schedule ("REO"), and Schedule of Debts (direct and contingent), in form and content acceptable to Lender. Information provided is to be signed and dated by Guarantor.
- **Liquid Asset Statements.** Guarantor to provide Lender bank, brokerage, or other applicable month end statements no later than thirty (30) days after each December 31, and June 30, annually and no later than fifteen (15) days upon interim request of Lender.
- **Personal Tax Returns.** As soon as available, but in no event later than ten (10) days after filing, Guarantor to provide annual tax returns. Tax returns are understood to be federal personal returns (form 1040, 1041, or 1065) with all schedules, and federal tax returns for any and all entities reported on the tax returns or for related entities (form 1065 and K-1's for partnerships and LLC's, and form 1120S for Sub S Corporations).

Financial Covenants:

- **Tangible Net Worth.** Borrower and Guarantor collectively to maintain a Tangible Worth of not less than \$x. Tangible Net Worth to be defined as Borrower and Guarantor (collectively) total assets excluding all intangible assets (e.g. goodwill, trademarks, patents, employee advances, shareholder notes receivable, copyrights, organization expenses and similar intangible items) less total liabilities excluding shareholder notes which are formally subordinated to Lender. This requirement is to be maintained at all times, and will be measured as of the end of each fiscal year
- **Net Liquid Assets.** Guarantor shall maintain a minimum of \$x in Net Liquid Assets at all times, to be evaluated each June 30th and December 31st. Net Liquid Assets are defined as cash and marketable NYSE, AMEX, or NASDAQ listed securities net of margin debt in non-retirement accounts (funds in retirement accounts such as IRA's shall not be counted). Cash value of life insurance policy to be acceptable in terms of liquidity. If Guarantor does not maintain account balances with Lender in amounts sufficient to verify compliance with the Net Liquid Assets covenant, then Guarantor shall provide to Lender bank and/or brokerage house statements no later than thirty (30) days after each June 30th and December 31st, or fifteen (15) days after interim requests.
- **Compensating Balances.** The Borrower(s), Guarantor(s), and/or an entity (or entities) controlled by the Borrower(s) or Guarantor(s) are required to maintain aggregate compensating deposit balances with the Lender equivalent to x at origination. Failure to maintain this balance will result in an increase of 100 basis points to the facility's interest rate. Compliance with this requirement will be tested quarterly based on the sum of the average monthly balances of each month in the previous quarter divided by three (3).
- **Debt Service Coverage Ratio.** Borrower(s) to maintain a minimum Debt Service Coverage Ratio ("DSCR") of greater than x:1.00 to be tested quarterly. DSCR to be defined as follows:

Actual trailing twelve month, or annualized, Net Operating Income ("NOI")

of the Borrower(s) Divided by the sum of I) The contractual debt service of the subject facility, and II) All other contractual debt service of the Borrower(s). NOI is defined as gross income/receipts/rents less operating expenses, net of noncash items and interest on debt requirements, and income tax.

If at any time the Debt Service Coverage Ratio falls below the minimum requirement of x, Borrower/Guarantor shall either fund a payment reserve in the amount greater than or equal to the calculated deficiency as determined by Lender, or the Borrower paydown the subject facility by an amount that will result in compliance of the Debt Service Coverage Ratio Financial Covenant.

- **Global Debt Service Coverage Ratio.** Borrower(s) and Guarantor(s) to maintain a minimum Global Debt Service Coverage Ratio ("GDSCR") of greater than x:1.00, to be tested quarterly. GDSCR to be defined as follows:

The sum of I) Trailing twelve (12) month, or annualized, Net Operating Income ("NOI") of the Borrower(s), and II) Guarantor(s) Cash Flow Available for Debt Service ("CFADS"). Divided by: The sum of I) The contractual debt service of the subject facility, II) All other contractual debt service requirements of the Borrower(s), and III) All debt service requirements of the Guarantor(s).

NOI is defined as gross income/receipts/rents less operating expenses, net of non-cash items and interest on debt requirements, and income tax.

Guarantor(s) CFADS is defined as gross income/receipts/rents less operating expenses, net of non-cash items and interest on debt requirements, and income tax. Guarantor(s) holding passive income entities require K-1 statements, or other funds transfer records, of applicable entities documenting cash distributions for inclusion in the NOI total. Borrower(s) and Guarantor(s) federal tax return and/or operating and loan statements will be used to complete the calculation. Funds held by Lender in any applicable Payment Reserve Account shall be added to NOI for this calculation.

Negative Covenants:

Borrower covenants and agrees with Lender that while any agreement is in effect, Borrower shall not, without the prior written consent of Lender:

- **Assignment.** Hypothecate or transfer any interest in the Collateral Property.
- **Additional Debt.** Apply for and/or accept any additional secured or unsecured debt greater than x in aggregate debt (except for ordinary course of business practices of payables/debt due within one (1) year) without prior approval from Lender.

- **Continuity of Operations.** (1) Engage in any business activities substantially different than those in which Borrower is presently engaged, (2) cease operations, liquidate, merge or restructure as a legal entity (whether by division or otherwise), consolidate with or acquire any other entity, change its name, convert to another type of entity or redomesticate, dissolve or transfer or sell Collateral out of the ordinary course of business.

Confidentiality

This summary of Terms and Conditions is delivered to you with the understanding that neither this term sheet nor any of its items or substance shall be disclosed, directly or indirectly, to any other person.

Conditions Precedent to Funding

1. Borrower acceptance of this LOI, payment of all amounts requested above, and approval of the proposed loan by Nano Banc;
2. Third-party reports on the Collateral Property;
3. Property insurance coverage to be in an amount equal to the lesser of the insurable replacement cost of the Collateral Property or the proposed loan amount; and
4. Any additional information the Lender deems necessary.

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT:

For any credit subsequently committed by the Lender, Borrower will be required to execute documentation that is in form and substance satisfactory to the Lender. Subsequent documentation may include terms and conditions that are different from or in addition to those that are stated in this Letter of Interest. For example, these terms include various warranties, representations and covenants regarding financial condition. Any pre-closing conditions must be met prior to funding.

This is not a commitment to lend, either express or implied, and does not impose any obligation on the Lender to extend this or any credit. The terms and conditions outlined above are not all-inclusive, but merely reflect the parties' discussions to date and are subject to change. In the event the Lender issues a commitment letter to make a loan in the future, said letter is subject to full and complete underwriting, due diligence, documentation and credit committee approval. The contents hereof are confidential and are intended for exclusively by the parties, their advisors and legal counsel in connection with a proposed application for extension of credit and may not be disclosed to any third party by applicant or its representative.

To commence processing of your request for financing, please acknowledge your acceptance of the terms and conditions of this application by signing the enclosed counterpart and returning the executed counterpart, together with a check in the amount of x made payable to Nano Banc. The x is being provided by the Borrower for costs being incurred by the Lender. If the Lender does not approve or commit to the proposed credit then the Lender will return the \$10,000 less its expenses, incurred in connection with this application. If the Borrower chooses not to proceed with the proposed credit facility after the \$10,000 has been paid to the Lender, x of this deposit will be deemed non-refundable. If the proposed credit is approved and originated, the Lender will credit the x, less the Lender's expenses, towards the initial fees that are payable under the commitment.

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account or is approved for a credit facility. What this means for you: When you open an account or are approved for a loan, we will ask for your name, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents. In some instances, we may use outside sources to confirm the information. You authorize the Lender to obtain and verify the accuracy and completeness of all information from any source, including credit reporting agencies. The information you provide is protected by our privacy policy and Federal law.

This application shall become null and void unless the executed counterpart of this application is received by x. More than one signature executing this document will be evidence signers are requesting the financial accommodation jointly.

We appreciate the opportunity to provide this proposal to you and look forward to working with you.

Sincerely,

Banc RM

Agreed to and accepted this ____ day of _____ 2024

By: Borrower

NOTICE: The Equal Credit Opportunity Act (ECOA) prohibits a credit grantor from discriminating against a credit applicant on the basis of race, color, religion, national origin, sex, marital status, age, because income is from public assistance, or because a right was exercised under the Consumer Credit Protection Act. If you believe you have been discriminated against, you may send a complaint to the Federal Reserve Consumer Help Center, P.O. Box 1200, Minneapolis, MN 55480.

Right to Receive Copy of Appraisal

Non-Residential and Multifamily Properties

Applies to first liens on commercial/non-residential secured properties and multifamily dwellings in California.

And

Residential Properties

Loans secured by a Subordinate Lien on a Residential Property containing 1-4 units

You have the right under Section 11423 of the California Business and Professions Code to a copy of the appraisal report obtained by this Bank in support of your application for credit, provided that you have paid for the appraisal.

In order to obtain a copy of your appraisal report, write to us at:

NANO BANC
25220 Hancock Avenue, Suite 140
Murrieta, CA 92562

We must hear from you no later than 90 days after we notify you about the action taken on your application, including a notice of an incomplete application. If you withdraw your application, you must make your request for a copy of the appraisal report within 90 days of the withdrawal.

If you request a copy of your appraisal report, and you have paid for the costs of the appraisal, we will send you a copy at the address shown on your loan application. You are entitled to receive a copy of the appraisal for purposes of evaluating your pending request for an extension of credit with this Bank. Your right to receive a copy of the appraisal report is not transferable or assignable.

Regulation B Appraisal Disclosure

Business Loan Purpose - Residential Properties – First Lien Only

If at any time after an application for a business loan is submitted, if a first lien on a residential dwelling is negotiated and added as a possible condition of the credit agreement within any timeframe, in accordance with Section 1002.14(a)(2) of Regulation B:

We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if the business loan does not close.

You can pay for an additional appraisal for your own use at your own cost.

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT

To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account or is approved for a credit facility. You authorize the Lender to verify the accuracy and completeness of all information from any source the Lender chooses including credit reporting agencies. The information you provide is protected by our privacy policy and Federal law.

What this means for you: *When you open an account, we will ask for your name, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents. In some instances, we may use outside sources to confirm the information. You authorize the Lender to verify the accuracy and completeness of all information from any source the Lender chooses including credit reporting agencies. The information you provide is protected by our privacy policy and Federal law.*