



Rabobank

Expression of Interest

March 26, 2013

Kelly Cadiente
Director of Administrative Services
Marina Coast Water District
11 Reservation Road
Marina, CA 93933

Dear Kelly:

Rabobank, N.A. ("Bank"), is pleased to present Marina Coast Water District ("Company") with an 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 of the Bank to extend credit or an agreement of the Bank to prepare, negotiate, execute or deliver such a commitment. Any decision by the Bank to extend credit to the Company is contingent on satisfactory completion of due diligence, including, without limitation, the appraisal, confirmation of enforceability of legal rights, appropriate credit approval, approvals of the Company's Board of Directors if applicable, no adverse change in the condition of the Company, and the execution of final documentation in form and substance satisfactory to the Bank, among other conditions.

Borrower(s):	Marina Coast Water District
Guarantor(s):	None
Loan Purpose:	Construction of office building within the Imjin Office Park located at Imjin Parkway and 2 nd Street, Marina
Loan Type:	Term
Loan Amount:	\$2,500,000
Maturity:	Twelve (12) month interest-only plus one (1) six month extension, both to be supported by prelease of property at construction loan funding (see below). At completion: 10 year term amortized over 25 years.
Collateral:	1 st Deed of Trust and Assignment of Rents on real property and improvement located at Imjin Parkway and 2 nd Street, Marina, CA

Interest Rate: During construction: Interest rate will be adjustable based on either (a) Rabobank Prime + 0.25% OR (b) 30-day Libor plus 3.25%, no floor.
Note: As of the date of this letter (a) indicative Rabobank Prime is currently 3.25% and all in rate is 3.50% and (b) indicative 30-day LIBOR is 0.20% and all in rate is 3.45%.

At completion (see term loan provision below): Interest rate based on 10 year Libor SWAP index + 2.50%. As of the date of this letter Indicative 10 year Libor SWAP index is 2.05 for an all-in rate of **4.55%**.

Payment: Interest due monthly during construction period and principal and interest at completion – Outstanding Balance plus accrued interest due in Full at Maturity

Computations: All interest rate and fee computations shall be based upon a 360-day year and the actual days elapsed.

Pre-Payment: During the construction period no prepayment penalty. At completion the prepayment is as follows: Year 1: 5%, Year 2: 4%, Year 3: 3%, Year 4: 2%, Year 5: 1%, Years 6-10: none

Loan Fee: 0.50% of the loan amount

Other Fee(s): All applicable fees including but not limited to the appraisal, Phase I, and all other out of pocket expenses including but not limited to title, escrow, legal, etc. are the responsibility of the Borrower(s).

Reporting Requirement(s):

Borrower: Annual Statements of Borrower – As soon as available, but in no event later than 120 days after the end of the fiscal year. Statements are to be audited by CPA.

Condition(s):

Borrower: Satisfactory completion by RNA of standard processing and the approval of the Borrower's credit application along with the other usual RNA policy and documentation requirements.

Presentation of the following financial and project related information:

1. Current financial statements for the last 3 years and the most recent interim financial statements.
2. Borrower to provide a opinion letter from their attorney that states that the Water District has the authorization to borrower for this purpose and is able to legally provide Real Estate property as collateral.
3. Receipt and review of a fixed price construction contract and total project breakdown from a qualified General Contractor.
4. Receipt and review of all executed tenant leases by/between MCWD and Bureau of Land Management (BLM). Please provide any additional leases if applicable.
5. Receipt and review by the bank of a property environmental report in a form and substance acceptable to the Bank.
6. Initial Funding Requirement: Borrower to provide Bank with all required governmental approvals, including grading and building permits.
7. Course of Construction Funding: Borrower required to submit draw

requests in conformance with the Bank's construction disbursement policy.

8. Term Loan Conversion Provision: At conversion of the term loan, the borrower will be required to provide evidence of:

- Notice of Completion
- Certificate of Occupancy
- Tenant in occupancy, paying rent with lease in full force and effect.
- Lien Free Endorsement
- Provide fully executed Estoppel & Subordination Non-Disturbance Agreement (ESNDA) executed by/between Bureau of Land Management (BLM) and Rabobank N.A. (Bank).

Underwriting: The subject credit facility will be required to support:

1. Loan amount not to exceed 85% of construction costs or 75% Loan to Value based on a bank commission appraisal on (a) leased investment and (b) market valuation basis.
2. Not less than a 1.25 to 1.00 Debt Service Coverage Ratio based on the appraised Net Operating Income for the property on a leased investment basis.

Covenant(s): Borrower to provide updated annual audited financial statements.

Maintain a Debt Service ratio of a minimum of 1.25:1.00 at all times prior to the repayment of the loan. First evaluation date: FYE 6/30/14 "Minimum Debt Service" is defined as Annual Net Operating Income for the Real Estate divided by the principal, interest and other charges due on all indebtedness of the Real Estate on an annual basis.

A Rabobank, N.A. deposit relationship is required throughout the life of the loan, if approved.

This Expression of Interest including the terms and conditions are not to be released to or discussed with any third party without the prior written consent of Rabobank. All figures, terms, and conditions may be subject to change or withdrawal at any time.

If the foregoing correctly sets forth our agreement and you wish us to begin our consideration of the loan, please indicate your acceptance of the terms hereof and of the conditions by returning to the Bank executed counterparts hereof not later than 5:00 p.m., Pacific Standard Time, on April 30, 2013.

Rabobank is pleased to have been given the opportunity to assist Marina Coast Water District in connection with this important financing.

Very truly yours,

RABOBANK N.A.
Commercial Banking



Sherry Farson
Vice President, CBO

Accepted and agreed to
as of the date first
written above by:

Marina Coast Water District

By: _____
Name:
Title: