



September 10, 2013

Mark E. Pfeffer
425 G Street, Suite 210
Anchorage, AK 99501

RE: Commercial Real Estate Financing
Purchase and Improvement of 712 & 716 W. 4th Avenue, Anchorage, Alaska

Dear Mr. Pfeffer:

Thank you for the opportunity to learn about your plans to acquire and improve 712 & 716 W. 4th Avenue, Anchorage, Alaska. Northrim Bank's (Bank) terms and conditions for similar projects follow. Please know this term sheet is for discussion purposes only and does not constitute a commitment to lend money. Please keep the contents of this letter confidential.

Borrower:	Single asset limited liability company to be organized in Alaska.
Guarantors:	Bob Acree and Mark Pfeffer
Loan Amount:	Up to \$27,032,882
Interest Rate:	2.5 percent per annum higher than the Bank's Base Rate, as determined by Bank from time to time. The Bank's Base Rate is equal to the highest "Prime Rate" according to the latest edition of the Wall Street Journal published the prior calendar month. The rate will of interest will change as often as the first day of each calendar month of the term.
Loan Fee:	1.5% of the Loan Amount.
Purpose:	Purchase and improvement of 712 & 716 W. 4 th Avenue, Anchorage, Alaska.
Term:	Five years.
Disbursement:	Bank will have no obligation to make any disbursements of loan proceeds until 25 percent of the approved project budget furnished by Borrower to Bank has been expended for project expenses by Borrower. Thereafter, disbursement will be made against completed construction according to the certification of an engineering firm engaged by Bank at Borrower's sole expense. Disbursements will be made no more frequently than monthly, based on the engineer's inspection report. Bank will have no obligation to make any disbursement of loan proceeds

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without the certification of Borrower's general contractor that there are no expenses of the project that remain unpaid except those incurred during the last previous calendar month for which disbursement is requested.

- Repayment:** Beginning on the first day of the calendar month following the first disbursement of loan proceeds, 18 consecutive monthly payments of accrued interest. Thereafter, 41 consecutive monthly installments of principal and interest, each in an amount equal to that which would fully amortize the loan indebtedness in 300 substantially equal consecutive monthly installments; and a final (42nd) installment in the amount of the entire outstanding balance of the indebtedness. If the interest rate changes in accordance with the foregoing, the amount of the monthly installment obligation, other than the final monthly payment, will change to an amount that will amortize the outstanding principal balance of the loan indebtedness in substantially equal installments equal in number to the difference between 300 and the number of principal and interest installments paid.
- Collateral:** First deed of trust security interest in the Borrower's fee simple interest in the real property commonly known as 712 & 716 W. 4th Avenue, Anchorage, Alaska; security assignment of all leases; security interest in all property of Borrower including but not limited to all construction materials, fixtures, appliances and other goods acquired for use in constructing or furnishing the project; and all Borrower's rights under contracts with architects and contractors related to the project.
- Escrow:** Property taxes and insurance.
- Reserves:** Required for taxes and insurance.
- Prepayment:** Any or all of the principal indebtedness may be prepaid without a fee.
- Environmental:** Borrow must provide environmental remediation plan acceptable to Bank.
- Documentation:** Bank must receive a construction project budget; final project plans and specifications, including a detailed timeline for construction acceptable to Bank with copies of all building permits required for construction in accordance with such plans and specifications; a copy of a construction contract calling for completion of all construction including contingencies and including the contractor's unqualified warranty of the work and materials for a period of not less than one year following completion; copies of contractor's current Alaska business and general contractor's licenses and the contractor's policies of public liability (providing at least \$2,000,000 in coverage), builder's all risk and workman's compensation insurance all of which shall be with insurance companies acceptable to Bank and naming Bank as Mortgagee and Loss Payee and shall expressly provide that the insurance will not be canceled

without at least 30 days prior written notice to Bank; payment and performance bonds; list of all subcontractors and suppliers, all acceptable to Bank and before Bank is obligated to make any disbursement.

In addition to the foregoing, the financing documentation will contain representations and warranties; conditions precedent; covenants; indemnities; events of default and remedies as required by Bank.

Debt Coverage Ratio: 1.25 minimum

Covenants: Those affirmative and negative covenants customarily found in credit agreements for similar financings.

Events of Default: Those events of default customarily found in credit agreements for similar financings.

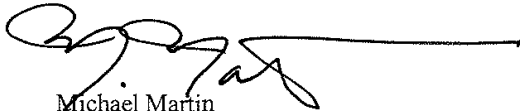
Financial Reporting: Loan documents will require Borrower to provide to Bank financial statements and other information pertinent to the financing requested.

Expenses: Borrower will be responsible for all expenses incurred by Bank.

Term Sheet: This term sheet is not a commitment to lend money. Any commitment is subject to receipt and evaluation of financial information, credit history, and such other information as may be requested by Bank. If Bank subsequently commits to lend money, some terms, conditions, and covenants may be different from or in addition to those that are included in this term sheet.

Closing Date: On or before 10.15.2013.

If you have any questions or require further information, please contact me. Thank you for the opportunity to earn your business.



Michael Martin
Vice President, Northrim Bank

cc: Len F. Horst, SVP & Senior Lending Officer
Catherine M. Claxton, SVP