



Draw Eligibility

TO: Fix and Flip & Group-up Construction Customers
FROM: TVC Construction Project Management Department
RE: Guidance for Draw Eligibility
DATE: June 17, 2022

Temple View Capital (“TVC”) strives to successfully balance our requirement to carefully manage the distribution of draw funds, conduct adequate diligence of project progress, and facilitate our customer’s access to available funds. The below guidelines describe the requirements TVC must fulfill prior to approving the release of draw funds. TVC is providing these guidelines to our customers to increase transparency and allow them to expedite the processing of draw requests by preparing draw requests with this information.

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1. GENERAL ELIGIBILITY REQUIREMENTS

The following requirements must be met for a customer to be eligible for a draw:

1. Loan is current
2. Loan has not matured, or is not maturing in the next 60 days
3. Homeowners insurance is in full effect
4. Property taxes are current
5. No open violations on the subject property
6. Neither the Borrower nor any Guarantor are in active bankruptcy
7. No known non-TVC related liens exist on the subject property (as documented within the file, or communicated to TVC by the borrower, servicer, or any other entity). A title report is not required to evidence that non-TVC related liens are absent from the subject property

In addition, the following items are required from the General Contractor or, when the project does not involve a General Contractor, from each sub-contractor with a contract of \$50,000 or greater. Each respective requirement referenced below is only required once, unless the effective date on any item has expired, in which case renewed/valid evidence must be provided.

- A. Executed contract matching the draw schedule scope
- B. License in good standing
- C. General Liability Insurance, including:
 - a. Minimum \$1M liability coverage
 - b. Minimum \$1M workers compensation (or letter of exemption from workers compensation)
 - c. Temple View Capital Funding, LP named as an additional insured or certificate holder
- D. Clear OFAC check
- E. Lien waiver upon completion of contracted work

2. SITUATIONAL REQUIREMENTS

2.1. ADVANCE DRAWS

For highly qualified borrowers, TVC allows funds for construction on Fix-and-Flip loans to be advanced. Advance Draw schedules will be designated as such by the TVC Rehab Project Manager in underwriting, notated within the PAWR, and identified on the project budget and draw schedule signed by the borrower at closing. Advance Draw schedules will prescribe draw amounts for each draw, predetermined at closing. In addition to the General Eligibility Requirements and other applicable Situational Requirements set forth in this document, the following requirements must be met to be eligible for an Advance Draw:

1. 1st draw not to exceed 100% LTAIV when added to the Base Loan Amount
2. The loan is greater than 60 days from maturity
3. Evidence that the funds from the prior draw have been completely utilized on the subject project and for items included in the scope approved at origination.
 - a. This requirement does not apply to the first draw
 - b. Acceptable evidence include:
 - i. Paid receipts and Truepic photos
 - ii. Inspection completed via Truepic, NVMS, or other TVC-approved vendor or authorized TVC personnel
 - iii. Signed/stamped plans and/or permits by the appropriate authority

1. Permit applications are not sufficient evidence to receive additional funds without two (2) TVC Manager's approval.
4. The sum of the cost for each of the line items that the borrower has designated completed with the prior draw funds (as indicated in the draw schedule) must be equal to or greater than the amount provided by the prior draw
5. Any required permits for previously completed work must be issued/received and required inspections signed-off if the work is complete
6. The draw amount requested must be equal to or less than the next scheduled draw amount (as indicated on the draw schedule)

2.2. REIMBURSEMENT DRAWS

Reimbursement Draws are structured to reimburse borrowers for work that they have already completed and expensed. There is no predetermined amount or required timeline for each draw under a Reimbursement schedule. The borrower will advise TVC which items have been completed and, upon satisfactory confirmation of their completion, the borrower is eligible to be reimbursed for the sum of the cost of those completed items, as indicated on the draw schedule. In addition to the General Requirements and other applicable Situation Requirements as set forth in this document, to be eligible for a Reimbursement Draw the following requirements must be satisfied:

1. Evidence that the line item(s) for which funds are requested have been completed. Acceptable evidence includes:
 - a. Paid receipts and Truepic photos to reflect materials are on site.
 - b. Inspection completed via Truepic, NVMS, or other TVC- approved vendor or authorized TVC personnel
 - c. Signed/stamped plans and/or permits by the appropriate authority
2. For Major Rehab Project and Ground-Up Construction Project categories, if the line item(s) related to completed work include scope where permits were issued and inspections are required by the authority that issued the permits, such completed work must have received a passing inspection
3. Non-final draws must leave the greater of \$5,000 or 5% of the project budget remaining for the final draw

2.3. PLANS & PERMITS REQUIREMENTS

Prior to a loan closing, TVC Underwriting will make the determination whether permits are required and will notate the PAWR and draw schedule accordingly. Plans and permits are required on all Ground-Up Construction loans. For all Ground-Up Construction loans (irrespective of loan amount) and Fix-and-Flip loans with project budgets greater than \$200,000, any plans and permits received post-closing must be reviewed and approved by the TVC Rehab Project Manager prior to any draw disbursements.

2.3.1. Plans & Permits Required on an Advance Draw Schedule

When plans and permits are required on an Advance Draw schedule, the borrower is eligible to receive their first draw in an amount sufficient to cover the soft costs related to obtaining plans and permits. Until the borrower has provided evidence that all required approved plans and permits have been completed and received, the borrower is not eligible for any further draws.

2.3.2. Plans & Permits Required on a Reimbursement Draw Schedule

For Reimbursement Draw schedules, the borrower is not eligible for any draws until documented evidence of required approved plans and permits have been received.

2.3.3. Plans & Permits in Municipalities with Extended Timelines

For Cosmetic and General Rehab project categories only subject to (1) TVC Manager or above, (2) the approval and evidence of permit submission, and (3) for States and municipalities with extended plan review and permitting timelines, TVC allows draws for materials that require lead times, work that does not require a permit, and/or work that will not decrease the value of the property and, upon completion, can be made compliant with local permitting. Impacted geographies include but are not limited to Hawaii, California, Chicago, Atlanta, and Miami as well as other localities with a verified base processing timeline of more than 60 days. Note that this provision only applies when base review timelines are 60 days or longer and does not apply in instances where delays exist due to the normal course of a review, including but not limited to requests for additional information, requested changes, issues with plans, or any other related causes within the borrower's control.

2.4. MATERIALS COSTS

Materials related to construction can be grouped with the associated labor line item in the budget or scheduled as a separate line item within the budget. In either case, to be eligible for a draw for materials, the borrower must provide either (1) paid receipts or (2) evidence that the related materials are on-site. When materials are grouped with labor within a line item, the borrower is eligible for 50% of the line item, subject to evidence of (a) paid receipts or (b) materials being on-site.

2.5. PARTIALLY COMPLETED WORK

Except for draws strictly related to materials, all work must be 100% complete to be eligible for a draw. Written approval from a TVC Manager or above is required for any disbursements on partially completed work.

2.6. DELINQUENT TAXES

Borrowers are eligible for draws disbursements in instances where taxes are past due but only where both:

1. Delinquent taxes are less than 60 days past due AND
2. Legal action related to such delinquent taxes has not yet been taken on the part of the taxing authority

2.7. LOAN MATURITY

For loans subject to Advance Draw schedules, funds may be advanced up to 60 days prior to loan maturity. For loans subject to Reimbursement Draw schedules, funds may be reimbursed up to the loan maturity date.

2.8. FINAL DRAWS

All Final draws are Reimbursement Draws. Lien releases are required for all applicable work and all permits requiring an inspection must evidence that the inspection has been successfully completed with a passing grade. For Advance Draws, the final draw amount is indicated in the draw schedule prepared prior to closing. For Reimbursement Draws, the final draw amount must be the greater of \$5,000 or 5% of the project budget (not including any interest reserves and a Construction Management Fee).

3. PARTIALLY BORROWER FINANCED PROJECTS

Fix-and-Flip and Ground-Up Construction loans may be approved with a borrower paying for a portion of the project costs. The timing and amount of the borrower's contribution can be either (1) prepaid prior to closing, (2) contributed post-closing prior to the first draw ("borrower expense first"), or (3) pro-rated over the course of the

project (contributed pari passu with TVC funding). The type and manner of borrower contributions will be noted within the draw schedule prepared by the TVC Rehab Project Manager during underwriting and classified as such on the Rehab Budget and Draw Schedule signed by the borrower at closing.

3.1. PREPAID REHAB COSTS

Prepaid rehab costs occur when a borrower has paid for materials or completed work that is included within the project budget prior to closing. The project budget applies the amount prepaid to each applicable line item within the budget. Application of prepaid amounts to each line item reduces the portion that TVC is scheduled to fund by the amount prepaid, in many cases reducing the TVC contribution to zero for the prepaid line item. Since prepaid items may impact the overall compliance of the project to code and standards, prepaid items are subject to the same requirements outlined throughout this policy. Where prepaid costs exist, verification that (1) all previously completed work has been properly permitted and completed to standard, and (2) receipt of lien releases for applicable contracts is required prior to the disbursement of the first draw. Where the contractor or subcontractor who completed prepaid items is not completing additional work in the project budget, items A through F outlined in section 2.1 are not required from the contractor—however item G, lien release(s), remain a requirement in this instance, prior to the first draw disbursement.

3.2. BORROWER EXPENSE FIRST

Borrower Expense First applies to partially financed projects where the rehab budget includes a requirement for the borrower to complete a set value of budgeted line items at their own expense prior to the release of the first draw. Similar to Prepaid Rehab Costs, all work must be completed in compliance with this policy and verified as such prior to the release of the first draw, except where the contractor who completed the work is not completing any additional work on the project, as outlined in 3.1.

3.3. PRO-RATA BORROWER CONTRIBUTIONS

Pro-Rata Borrower Contributions occur when the borrower is responsible for a portion of the budget and the amount to be funded by TVC for each draw schedule line item is reduced by a proportional amount equal to the ratio of the borrower's total required contribution to the total budget amount. In effect, for each line item, the borrower will be responsible to personally expense some portion of the cost and TVC will be responsible to disburse funds for the remaining portion. In addition to all the eligibility requirements as stated in this policy, all work must be completed for the full line-item value (Borrower + TVC portion) for the draw to be eligible.