



SICIL PINE

Credit underwriting and financial due diligence



CREDIT MEMORANDUM

Historic Theater Leverage Financing

October 2026

Anonymized sample

Names, locations, history, and dollar figures have been changed. Ratios, structure, and the analysis are unchanged.

LOAN SUMMARY

Organization Name:	Halden Community Development, Inc. (“HCD” or “Halden”), Project Entity: Calder Theatre and Public Market, LLC, a Delaware limited liability company.
Year Founded:	Halden Community Development, 2018; Halden Development, Inc., the affiliated S-Corporation, 2015; Halden Construction Management, Inc., 2021
Headquarters:	Withheld for confidentiality.
Purpose of Loan:	Leverage loan into a New Markets Tax Credit (NMTC) structure for purposes of financing the adaptive reuse of the currently vacant Calder Theatre into a 31,450 SF food hall, craft beer garden, public market bar, and two-screen microcinema.
Total Proposed Loan Amount:	\$3.0M sought from the Foundation
Loan Seniority:	Not yet determined. Halden states the Foundation’s lien position cannot yet be finalized until the construction loan term sheet is executed and all lenders’ counsel confirm the intercreditor structure (targeted for mid-November 2026).
Loan Security:	Not yet determined.
Key Terms:	Modeled as principal of \$3.0M; 3.00% fixed, interest-only at \$90.0K per annum through the NMTC compliance period with the full principal balloon at the end of Year 7 and repaid from a commercial takeout refinancing.
Target Close Date:	Halden is targeting Foundation funding before Thanksgiving 2026, with construction expected to begin in Spring 2027 and opening in early 2028. Halden’s updated schedule is due mid-November 2026.
Expected Term:	Seven years, coinciding with the NMTC compliance period, as modeled.

EXECUTIVE SUMMARY

Halden Community Development, Inc. (“HCD”, “Halden”, or the “Sponsor”) is a 501(c)(3) nonprofit developer founded in 2018 and led by its president, Elena Marquez. Halden reports a development track record of more than \$230.0M in completed or active projects across affordable for-sale housing, permanent supportive housing, and community-serving commercial development.

Halden is redeveloping the Calder Theatre, a 1951 movie house on its neighborhood’s main commercial street that has stood vacant since 1990 and is currently owned by the City. The completed project would renovate 31,450 square feet into a six-bay food hall, a 120-seat craft beer garden, a public market bar, and a two-screen, 180-seat microcinema.

The project will be capitalized through a New Markets Tax Credit (NMTC) leverage structure. A national bank (the “Investor”) is the tax credit investor, operating under an executed investor letter. One community development entity (the “Lead CDE”) has reserved \$14.0M of allocation, and a second, city-affiliated CDE (the “City CDE”) has issued a letter of interest (LOI) for up to \$20.0M. The outside closing dates in all three letters lapsed between May and June 2026. Public sources of capital include \$2.3M of local public bond proceeds (PBP), \$8.6M of municipal discretionary funds, a \$994.4K CDBG gap grant, and a \$4.2M HUD Section 108 loan. The Foundation, along with local financial institutions, is being asked to provide the private leverage piece to close the remaining funding gaps.

The site sits in a low-income census tract and has been abandoned and unmaintained for more than three decades. The City CDE letter of interest outlines commitments to 56 permanent and 70 construction full-time equivalent (FTE) jobs, a six-stall food hall for local foodpreneurs recruited in part through a local workforce center, forgivable startup loans of approximately \$100.0K per tenant, below-market rents, prevailing construction wages, and theater access for local schools and nonprofits.

On an entity basis, the operations support the debt under the diligence Base Case. Entity-level coverage clears a Debt Service Coverage Ratio (DSCR) hurdle of 1.20x every year of the modeled ten-year projection, producing a minimum DSCR of 1.38x and an exit DSCR of 1.40x. Refinance leverage at exit is modeled at 53.87% with a debt yield of nearly 14.00%. Property-level coverage, which excludes the microcinema’s operating profit, falls to 1.02x in Year 7 and remains below the 1.20x hurdle through Year 10.

The risks are concentrated primarily in four places. First, the capital stack is not currently closed. The Base Case shows an unfunded gap of \$255.4K on top of a \$3.2M bank leverage tranche which also currently has no executed commitment. Halden is in discussions with local lenders for this loan. Second, the refinance at the end of the compliance period is short on a capital basis. A takeout lender requiring 1.20x coverage on the property’s own cash flow would lend approximately \$5.4M against \$7.2M of debt coming due. Third, several assumptions that the deal relies on are currently undocumented, including: 1) the treatment of the Section 108 note once the compliance period concludes; 2) the reduction of the land purchase price from \$240.0K to \$1.00 (one dollar); and 3) the property tax exemption. Fourth, one individual occupies all principal roles across the borrower, both guarantors, and the general contractor.

Our assessment is that the structure is conventional for an NMTC deal of this size, and the transaction is investable pending satisfaction of the conditions set out in this report. With the exception of the refinance shortfall, nearly every identified risk of note in this report is capable of being resolved by a

required document, and most of these documents are either in process or within Halden's control to obtain. Therefore, this report recommends that the Foundation proceed toward approval, provided that the conditions are satisfied before a commitment is issued. Further, the conditions to disbursement must be satisfied before any funds are disbursed, combined with ongoing covenants and reporting requirements for the life of the loan. These conditions are outlined in the relevant section 'Recommended Conditions Precedent and Covenants'. If they cannot be satisfied, the resulting conclusion should be that the transaction is not yet ready for investment.

STRENGTHS

Major strengths supporting an investment in the Calder Theatre and Public Market project include the following items:

- **Substantial and largely authorized public support.** Roughly \$11.9M of grant capital has been authorized by the City across the PBP allocation of \$2.3M, municipal funds of \$8.6M, and the CDBG gap grant of \$994.4K. The City has also authorized the submission of a \$4.2M HUD Section 108 loan application. The City owns the site and has carried the Disposition and Development Agreement (DDA) through eight amendments since 2018.
- **Credible CDEs and tax credit investor.** The Lead CDE executed a reservation letter for \$14.0M of allocation in December 2025, and the City CDE executed a letter of interest for up to \$20.0M the same month. The Investor executed its investor letter toward the end of December 2025. All three are established participants in NMTC transactions in this market, and the proposed structure is conventional.
- **Operationally, the business covers its debt service on an entity level in every projected year.** The modeled Base Case produces an entity-level coverage floor of 1.38x across the ten-year projection period and an exit DSCR of 1.40x. Year 1 property cash available for debt service is \$628.0K against a required master lease payment of \$450.6K.
- **A mostly positive three-year operating history for the affiliated entities.** A three-year operating history for all three affiliated entities has been provided and reviewed. Halden Development, Inc., the additional guarantor, reported positive net income in each of the fiscal years 2023 through 2025 and remains positive through August 2026. HCD also reported positive net income in all three years in its internal snapshot, although its filed FY2023 Form 990 reports a net loss of \$220.4K. HCD's positive results have been carried by grant income rather than its own operations. Its operating line was positive in FY2023 and FY2024 but turned negative and recorded a loss of \$174.6K in FY2025. This was driven by operating income falling while total expenses held flat.
- **Conservative underwriting approach taken relative to the independent appraisal.** The diligence model (both Halden's case and our Base Case) applies a 20.00% vacancy and credit loss factor against the 2.00% used by the independent appraiser (the "Appraiser") in its October 2025 appraisal. Additionally, the Base Case leverages a capitalization rate of 7.50% against the Appraiser's 6.00%. Further, the model carries assumptions for billboard revenue at \$80.0K and pop-up event revenue at \$60.0K against the Appraiser's \$220.0K and \$87.0K respectively. Utilizing the appraiser's own stabilized value of \$21.1M, refinance leverage upon exit would be 34.10% compared to the 53.87% presented in the Base Case.

- **Exit leverage and debt yield.** The Base Case takeout requirement at the conclusion of the compliance period assumes \$7.2M representing 53.87% of the modeled terminal value of \$13.4M and a corresponding debt yield of 13.92%. If the HUD Section 108 note must instead be refinanced with the other leverage notes, the \$11.4M takeout represents 54.01% of the appraised stabilized value.
- **Meaningful community benefits in a long-neglected location.** The site stands in a low-income census tract and has been vacant since 1990. The City CDE letter of interest outlines commitments to: 1) 56 permanent and 70 construction FTEs; 2) 75.00% of positions receiving living wages and benefits; 3) 80.00% of permanent and 85.00% of construction roles not requiring college degrees; 4) prevailing wages on all construction roles; 5) four structured apprenticeships; 6) forgivable startup loans of approximately \$100.0K to each of the six foodpreneurs; 7) below-market rents; and 8) low-cost theater access for local schools and nonprofits.

RISKS & POTENTIAL MITIGANTS

The following risks have been identified as a result of the review and analysis conducted during the financial due diligence. Many of the mitigants identified and described are, in our assessment, capable of being secured before funding. Those are carried into the conditions precedent in the following section.

Risk	Potential Risk Mitigant
Unfunded capital gap. The Base Case shows \$255.4K of uses in excess of committed and contingent sources before taking into consideration the additional \$3.2M bank leverage tranche. The gap includes all six forgivable tenant loans and Halden's \$60.0K CDFI lender legal line. Halden has confirmed that the CDBG tenant improvement funds are part of the \$994.4K CDBG gap grant and not a separate source. The Prior Developer's payment is carried at the documented \$242.0K via the operating agreement and draft amendment. The \$3.2M bank loan has no term sheet, and the lender's approval is conditioned on resolving the City's power of termination, which records ahead of its deed of trust.	Potentially securing the \$2.0M of grant money from a regional philanthropy that Halden will reapply for in November 2026 could close this gap. The Foundation can require evidence of a fully closed capital stack as a condition of funding.

Risk	Potential Risk Mitigant
City funding timing. As modeled, the construction bridge is close to self-funding with the peak deficit sitting at \$(8.8K) and the guarantor injecting \$27.4K. This assumes both the City and CDBG funds are available at closing (which Halden's sources and uses shows). Currently, no executed City funding agreement has been provided, and Halden is evaluating a working capital line with a local bank. If either source is reimbursement-based, a bridge requirement could be needed.	Executed City funding agreements confirming availability at closing, or a committed working capital facility matching the reimbursement exposure, should be a condition of funding.
The treatment of the HUD Section 108 loan is currently undocumented. The Base Case assumes the \$4.2M note amortizes over 25 years and is due in 20 years. Further, it assumes it survives the seven-year compliance period instead of needing to be refinanced at the unwind. A December 2025 City resolution supports the 25-year amortization and 20-year term. It also describes the note as secured through the NMTC structure and by a junior deed of trust. This implies that the note continues after the compliance period. Halden has also reported verbal confirmation from the City. No HUD document confirming this has been provided to or reviewed by the diligence team, although Halden has said they will request one.	If the note must instead be refinanced at the unwind, the takeout requirement jumps \$4.2M from \$7.2M to \$11.4M. Corresponding to this jump would also be the refinance leverage rising to 85.31% of the modeled terminal value. The Foundation is repaid from the same refinancing. Written confirmation from the City or HUD should be a required condition prior to funding.
Land conveyance price is undocumented. The Base Case models a conveyance at \$1.00 while the DDA sets the purchase price at \$240.0K payable in cash upon closing. The most recent amendment to the DDA from January 2026 and the City's February 2026 contract summary still shows \$240.0K. The City's economic development department has indicated a reduction, but there is nothing in writing to support this.	A \$78.0K security deposit is currently in escrow and credits against the price, leaving \$162.0K. An executed amendment or budget for the full amount would resolve this. This should be a condition precedent.

Risk	Potential Risk Mitigant
The property tax assumption is unsupported. The Base Case assumes \$125.6K per year on the assumption that half the building is operated directly by the nonprofit and therefore exempt. Halden attributes this to informal guidance from counsel; no clearance certificate or counsel opinion has been provided. This is Halden’s own figure as its proforma computes \$251.2K in full and \$125.6K after exemption. Halden states a clearance certificate cannot be obtained until title conveys, and a permit is pulled.	Due to NNN reimbursements being linked to expenses, most of the increase is recovered on a property basis. The theater share is paid by HCD itself, so entity coverage falls further. In the event no exemption applies, at the full amount of \$251.2K, the property-level coverage in Year 7 falls to 0.98x and entity coverage to 1.29x. A clearance certificate from the County Assessor or a reasoned opinion of counsel, confirming whether the exemption is available, and what the property will be assessed at once title transfers, should precede funding.
Utilizing the Base Case, property-level coverage does not clear the City CDE’s 1.20x hurdle in Years 7 through 10. Coverage on the real estate alone falls to 1.02x in Year 7 against the 1.20x hurdle in the City CDE’s LOI and remains below it through Year 10, at 1.09x. The deal clears only once the modeled microcinema operating surplus is included.	The theater surplus is modeled at roughly \$400.0K per year on annual ticket sales of \$2.4M. Without this surplus, the deal does not meet the 1.20x hurdle. A funded debt service reserve sized to the shortfall, a waiver from the City CDE, or written confirmation that the City CDE’s 1.20x covenant is tested at the entity level, which the letter of interest does not specify, would address this breach.
The microcinema currently has no operating budget, and the operator has never run a cinema. Halden confirmed that they have currently contracted an established independent cinema operator (the “Operator”) as an independent contractor and, in addition to providing training for movie operations, and film procurement, they would also be putting together an operating budget for the theater. The consulting agreement currently runs from May 2026 to April 2027 at a fee of \$10.0K per month. This contract is scheduled to expire before the doors to the theater open. Halden has stated they are working on extending this contract to a five-year agreement.¹ Correspondence from Halden describes a movie brokerage agreement with the Operator in which the Operator would procure and schedule films.	Theater breakeven ticket sales in the Base Case are modeled at \$1.51M, providing a margin of safety of roughly 37.00%. Entity coverage falls below 1.20x at \$2.12M of Year 1 ticket sales. Delivery of a completed operating budget and an extended or replacement operating agreement with the Operator (or another operator) running through some defined stabilization period would both be reasonable conditions for funding.

¹ This was said to the diligence team during a diligence call.

Risk	Potential Risk Mitigant
There is concentrated governance and related-party risk. One individual serves as President of the nonprofit borrower, the sole owner of Halden Development, the additional guarantor, and 80.00% owner of the general contractor. The nonprofit's Vice-President of construction owns the remaining 20.00% of the general contractor. Halden Development carries just shy of \$80.0K of equity, and its assets are reported only on a summary basis, most likely related-party receivables. Halden has since confirmed that HCD will likely be the primary guarantor, with Halden Development as an additional guarantor.	Halden has proposed a seven-step construction draw process that would incorporate independent third-party inspection, a certified payroll review, and an external labor compliance monitor. The Foundation should require the guarantors to be named unambiguously in the loan documents and confirmed in writing by Halden, require fixed-price or guaranteed maximum price contracts with the related-party contractor, and require the contingent liability and cross-default schedule.
The Year 7 cliff and accompanying takeout risk. Annual debt service steps up nearly 60.00% in a single year as the leverage notes balloon, and the Section 108 converts from interest only to principal and interest. Repayment of the Foundation depends on a commercial takeout being available at the conclusion of the compliance period, secured by a food hall and microcinema operated by the borrower's own affiliate.	At \$7.2M, the takeout equals 53.87% of the modeled terminal value, with a debt yield of 13.92%. The constraint is the property's cash flow. A takeout lender requiring 1.20x coverage on the property's cash flow would lend approximately \$5.4M, about \$1.8M less than the \$7.2M coming due. The difference would need to come from additional equity, a paydown before the refinance, or a lender willing to accept lower coverage. Written confirmation of the HUD treatment would not change this.
Expiring approvals and schedule slippage. Currently, all three NMTC outside closing dates have lapsed (the Lead CDE, the City CDE, and the Investor). These lapses occurred between May and June 2026. Permits are not yet issued, and site control under the DDA expires at the conclusion of 2026.	Halden states it will request written extensions from all three parties, targeting October 30, 2026. Written extensions or reinstatement from all parties to reflect the revised schedule, and potentially any necessary additional amendments to the DDA, should be required for conditions of funding.
No leases are currently executed, and one food stall bay remains open. Four tenant LOIs are executed by both parties, and a fifth has been issued but not signed. Halden has stated that the leases will be executed once financing is confirmed. Halden is holding the sixth stall for an established local brand and reports active discussions.	The Base Case includes revenue from the sixth bay beginning in Year 2 on the assumption that the bay will not remain vacant beyond the first year of operations. Executed leases for no fewer than five bays should precede funding.

Risk	Potential Risk Mitigant
Unquantified bonding and insurance costs. Per the City's Required Insurance and Minimum Limits form, the contractor is obligated to carry a 100.00% Payment and Performance bond, Builder's Risk Coverage, pollution liability, and professional liability. Halden has stated placement is being worked on but has not provided a producer, premium, or effective date. There is no visibility into these costs at this time. Halden states there is potential to use a Subcontractor Default Insurance policy if a bond is impractical. HCM's 2024 federal return reports \$15.4K of gross receipts, no wages, and \$14.0K of total assets, which could impact its ability to obtain a bond of this size.	Assuming 1.00 – 1.50% of approximately \$22.0M in hard costs, the Payment and Performance bond premium would be more than \$200.0K. Evidence and documentation of these items should be delivered prior to closing.
No independent flow-of-funds analysis currently exists. Halden has stated that projections from a national NMTC accounting firm will be commissioned once the NMTC parties and the remaining capital stack are finalized. The Investor's letter requires these projections prior to closing.	The modeling provides an independent check in the interim. The Foundation should condition funding on receipt of the flow-of-funds report.
Outdated third-party reports. The Property Condition Report is from 2018, and the Geotechnical Investigation report is from 2019, prepared for the prior developer and an assumed different development concept. The appraisal notes a prospective valuation date of October 2026.	The Investor will require updated reports to replace the old ones. The Foundation can rely on these same deliverables.

ORGANIZATION OVERVIEW

Halden Community Development, Inc. is a nonprofit public benefit corporation founded in 2018 and recognized as tax-exempt under Section 501(c)(3) the same year. It is a certified Small Business, Women-Owned Business, and Minority-Owned Business. Halden Development, Inc., an affiliated S-Corporation formed in 2015, is wholly owned by Elena Marquez and provides project management services to nonprofits and third-party owners. Halden Construction Management, Inc. (HCM), owned 80.00% by Elena Marquez and 20.00% by Daniel Marquez, is the project's proposed general contractor.

Halden has provided unaudited, internally prepared presentation financials for these three entities covering actuals from FY2023 through FY2025, and YTD actuals for FY2026 through August. FY2027 company budgets, HCD's filed Forms 990 for FY2023 and FY2024, and HCM's federal returns for 2023 and 2024 have also been provided. These are summarized below.

Net Income by Entity

<i>(\$ in thousands)</i>	HCD	Halden Development	HCM	Combined²
FY2023 Actuals	\$91.8	\$127.0	< \$40.0	\$218.8
FY2024 Actuals	\$647.6	\$400.6	< \$40.0	\$1,048.2
FY2025 Actuals	\$538.4	\$122.2	< \$40.0	\$660.4
FY 2026 Actuals (Jan- Aug)	\$(70.6)	\$267.2	\$133.4	\$329.8
FY2027 Budget	\$678.4	\$159.4	\$922.0	\$1,759.8

HCD Double-click

HCD <i>(\$ in thousands)</i>	FY2023	FY2024	FY2025	FY2026 (Jan-Aug)	FY2027 Budget
Net Operating Income	\$16.8	\$41.2	\$(174.6)	\$(70.6)	\$558.4
Grant / Other Income	\$75.0	\$606.4	\$713.0	\$0.0	\$120.0
Net Income	\$91.8	\$647.6	\$538.4	\$(70.6)	\$678.4

Two items of note from this data. First, HCD's net income has been carried by grant income as opposed to operations. Grants have been a meaningful contribution every year shown and were the largest single driver of net income in FY2024 and FY2025. For FY2026, no grant income has been recorded, which is the driver for the year being negative. Its core fee operations were moderately profitable in FY2023 and

² The Combined column excludes HCM for FY2023 through FY2025. Halden reports HCM's results as under \$40.0K in each year. HCM's 2023 and 2024 federal returns report ordinary income of \$28.2K and \$(-1.2K), and the 2025 return has not yet been filed.

FY2024, but turned negative in FY2025 as operating income fell year-over-year while total operating expenses held flat. Second, Halden Development has been profitable at the net income level for all years reviewed.

Balance Sheets

(\$ in thousands)	HCD, Dec 2025	Halden Development, May 2026
Cash	\$(21.4)	\$9.6
Other Current Assets	\$1,711.4	\$1,768.4
Total Assets	\$1,704.0	\$1,778.2
Total Liabilities	\$254.0	\$1,698.8
Equity	\$1,450.0	\$79.4

Both balance sheets contain heavy related-party balances. All of the \$1.71M from HCD's other current assets are classified as 'loans to others', including \$797.8K due from Halden Development. Halden Development's \$1.77M of other current assets is reported only as a summary line; no detailed breakdown has been provided. Given the volume of intercompany lending visible on HCD's books, Halden Development's assets are likely to be similarly related-party in character, but this should be confirmed prior to closing. Both balance sheets are stale, and current balances should be requested prior to closing to verify financial positions.

Services Provided and Problems Addressed

Halden specializes in developing affordable housing and community-serving commercial real estate throughout its home county and the wider region for low-income communities. Its stated mission is to support working families and underserved communities through real estate creation containing sustainable designs and long-term community benefits. The organization heavily incorporates public-private partnerships. Income is generated through a combination of property management fees earned across a portfolio of projects at different stages, development fees, and project management fees. Halden reports a development track record of over \$230.0M for both active and completed projects.

ORGANIZATION HISTORY

The Calder Theatre opened in 1951 and closed in 1990. The City acquired it in the mid-2000s, and the property was conveyed to the City in 2018 after that agency was dissolved.

In 2016, the City entered into an Exclusive Negotiation Agreement with a regional housing developer (the "Prior Developer") to restore the theater and build senior housing on the adjacent parcel. A DDA was executed in 2018. The Prior Developer completed the senior housing in 2023 but did not proceed with the theater rebuild. Its cinema partner at the time, the same Operator now engaged by Halden, withdrew as changes in the industry made the original multi-screen concept unviable. At the end of 2023, the development rights were assigned to Calder Theatre and Public Market, LLC through the fifth amendment to the DDA, reflecting the new public market and microcinema concept.

Halden Community Development was founded in 2018. Its completed and active work includes Westgate Centre, a 2.6-acre retail and commercial center completed in 2022 at an estimated value of \$22.0M; Cedar Court, a \$90.2M mixed-use development with 80 permanent supportive housing units and 14,000 square feet of retail, built in partnership with a supportive housing nonprofit, the local school district, and the local housing authority; Birch Townhomes, fourteen for-sale affordable townhomes funded through HOME and state homeownership funds; and Linden Townhomes, an affordable for-sale development financed with a national CDFI's construction loan.

TEAM

The project team is small and experienced, but concentrated. The principal is credentialed in the exact transaction type being underwritten with experience in NMTC structures and public-private partnerships. The constraint is the depth of the roster rather than expertise. We identified no second executive with independent authority over development, finance, or construction. There is no identified chief financial officer at any of the entities. For a transaction involving nearly a dozen different funding institutions across four government agencies, two community development entities, and a tax credit investor, that concentration is itself a notable risk factor and is reflected in the conditions precedent recommended in this report.

Halden is a minority- and women-led organization and a certified Minority-Owned and Women-Owned Business. Its six-member leadership team and board consist primarily of women of color.

Elena Marquez, President, Halden Community Development. Ms. Marquez holds a B.A. in political science and a Master of Public Administration. She began her career in municipal economic development, then spent twelve years as a director of development at a regional commercial developer, overseeing the entitlement, financing, and construction of more than 2.0M square feet of commercial and mixed-use projects across three western states. She later served in elected office. She also teaches as an adjunct professor.

Daniel Marquez, Vice-President, Construction, Halden Community Development. Mr. Marquez serves as the nonprofit's construction officer and holds a 20.00% ownership interest in Halden Construction Management, Inc., the project's proposed general contractor.

Lucia Ortega, Vice-President, Administration, Halden Community Development.

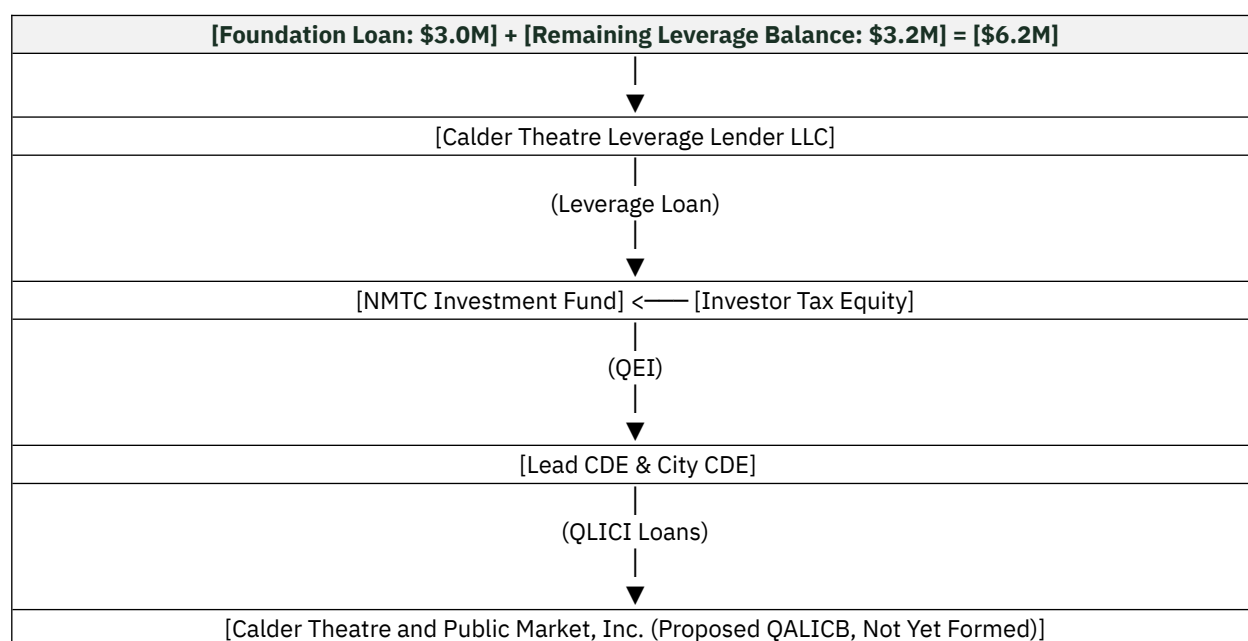
Board of Directors. As of the most recent information provided, the board comprises Elena Marquez, Daniel Marquez, Lucia Ortega, and three non-officer directors. We were not provided with biographies for the three non-officer directors and, as a result, cannot assess the adequacy of the board's real estate, finance, or nonprofit governance experience.

Key Advisors. The Operator is engaged as a theater operations consultant under an independent contractor agreement of \$10.0K per month. The contract term began in May 2026, is set to conclude in April 2027, and is terminable on fifteen days' notice by either party. A local architecture firm is the project architect, and a permit expeditor has been retained. The Appraiser prepared the October 2025 appraisal, and an NMTC financial consultant has advised on the structure.

TRANSACTION OVERVIEW

The Foundation is being asked to provide a leverage loan supporting the NMTC financing of the Calder Theatre and Public Market project. Loan proceeds would flow into the Calder Theatre Leverage Lender, LLC, a single-member LLC, not yet formed, to be wholly owned by Halden Community Development. The Leverage Lender would then advance the leverage loan into the NMTC investment fund. The fund then makes Qualified Equity Investments (QEI) into the Lead CDE and City CDE sub-community development entities. Following this is the Qualified Low-Income Community Investment Loan (QLICI) made directly into the proposed project entity, Calder Theatre and Public Market, Inc., a new nonprofit to be controlled by HCD that has yet to be formed. A diagram outlining the flow of funds is below.

Leverage Lender Fund Flows³



The total project cost sitting in the diligence Base Case is \$34.6M of uses against \$34.3M of committed and contingent sources, leaving an unfunded gap of \$255.4K. Halden’s own development budget totals \$30.0M. The \$4.6M difference reflects items the model states separately rather than inside the development budget (the operating reserve, three construction interest lines, tenant forgivable loans, and CDE reservation fees) together with CDE fees and NMTC transaction costs that Halden presents as net.

³ This is shown for the private leverage components only. The full leverage loan into the Investment Fund is approximately \$21.8M, with the balance comprising the City, CDBG, and HUD Section 108 sources and the City CDE source loan, all of which pass through the same Leverage Lender.

Sources and Uses – Base Case

Uses	(\$ in thousands)	%
Development Budget	\$27,724.8	80.19%
Mandated CDE Fees and Reserves	\$2,863.0	8.28%
NMTC Transaction Costs (Implied)	\$2,045.8	5.92%
Tenant Forgivable Loans	\$600.0	1.74%
Construction Interest Reserve (Foundation / Bank / City CDE)	\$508.8	1.47%
Capitalized Operating Reserve	\$416.0	1.20%
HUD Section 108 Capitalized Interest Reserve	\$414.2	1.20%
Land Purchase Price (Modeled at \$2.00)	-	-
Total Uses	\$34,572.6	100.00%
Sources		
NMTC Tax Equity (Investor)	\$10,108.8	29.24%
Municipal Grants (Pending Appropriation)	\$8,600.0	24.88%
HUD Section 108 Loan	\$4,200.0	12.15%
Foundation Leverage Loan (PRI)	\$3,000.0	8.68%
Bank Leverage Loan (Uncommitted)	\$3,196.0	9.24%
City PBP Grant	\$2,256.0	6.53%
City CDE Subordinate Source Loan	\$1,000.0	2.89%
City CDBG Gap Grant	\$994.4	2.88%
Deferred Development Fee	\$720.0	2.08%
Regional Philanthropy Grant (Not Funded)	-	-
Prior Developer Withdrawal Payment	\$242.0	0.70%
CDBG Tenant Improvement Grant (Unappropriated)	-	-
Total Committed and Contingent Sources	\$34,317.2	99.26%
Unfunded Capital Gap	\$255.4	0.74%

Key Loan Terms

As modeled in the Base Case, a Foundation leverage loan of \$3.0M at an interest rate of 3.00% fixed, interest-only resulting in \$90.0K per annum through the seven-year mandated compliance period outlined in the NMTC structure, with the full principal balance maturing as a balloon at the conclusion of the compliance period and repaid from a commercial takeout refinance. Halden's written loan request outlines the need for up to \$5.4M via a first lien position. The request has since been set at \$3.0M from the Foundation, alongside a \$3.2M bank leverage loan at 8.50% that Halden expects to secure from local lenders, per its September 2026 sources and uses. That proforma describes the Foundation's loan as an eight-year term on a 25-year amortization schedule, and its budget includes a 2.00% loan fee on the Foundation and bank loans combined. Halden has also raised an alternative structure: a PRI loan to HCD directly, rather than a loan related to the project. The size, seniority, and repayment terms of the Foundation's participation should be confirmed and documented prior to any commitment being issued.

Commentary on Terms

Three items regarding the structure of the funding terms should be highlighted. First, prepayment of the Qualified Low-Income Community Investment Loans (QLICI) is prohibited during the compliance period under the Investor's letter. The Foundation should expect no amortization and no early repayment during this seven-year period. Second, the Investor requires the leverage lenders to execute forbearance agreements through which these lenders agree not to foreclose or exercise any other remedy under the leverage loan documents until the conclusion of the compliance period. It is recommended that counsel review these documents and terms and determine how this potentially impacts the Foundation's remedies as a lender. Third, the Investor's letter states that Leverage Lenders are not to share identical ownership with the borrower unless prior approval is issued by the tax counsel. Halden describes HCD as the sole member of the Leverage Lender, which is to be formed, and as controlling the project entity. The current project entity, Calder Theatre and Public Market, LLC, is managed by Halden Development, Inc. The Prior Developer, its other member, is expected to withdraw at closing. Halden has stated that a new HCD-controlled nonprofit will be formed for the NMTC financing, so the final ownership of the borrower has not yet been set. It is recommended that counsel review this as well.

Co-investors and Capital Stack

This transaction is structured with the Investor as the tax credit investor, the Lead CDE and the City CDE as allocatees, the City CDE again as a \$1.0M subordinate source lender, the City across four separate instruments, and an undetermined bank expected to provide \$3.2M as the remaining balance of the leverage loan. Commitments from the Foundation and a regional philanthropy are also being pursued. The Prior Developer's \$242.0K payment at closing comprises \$162.0K owed under the executed operating agreement and an \$80.0K exit payment set out in a drafted (unsigned) amendment to that agreement outlining the Prior Developer's withdrawal from the project entity.

IMPACT OVERVIEW

The Calder Theatre sits in the middle of its neighborhood's main commercial district, which qualifies as a low-income community for NMTC purposes. The building has stood vacant since 1990 and has been in disrepair for most of that time. Site photographs from the 2022 environmental survey show extensive graffiti and a boarded frontage. The survey notes damaged interior plaster but describes the building frame as structurally intact. A 2018 historical resources assessment concluded that the building is eligible for listing on the state register of historical resources and for local landmark designation. A deteriorating landmark left vacant on a neighborhood's main street can depress the value of neighboring properties, signal that the neighborhood is uninvestable, and discourage pedestrian activity and patronage.

This project looks to address these issues in several ways. First, it restores a building eligible for historic designation and returns it to active use. Next, it creates and supports a small business platform by building six food hall bays specifically designed for independent, local operators as opposed to national tenants and focuses on supporting their growth and success through offering below-market rents with forgivable startup capital. Finally, it creates an anchor in the neighborhood by combining food service, a beer garden, and a microcinema doubling as a community event venue.

Targeted Outcomes

Several community benefits have been identified in the City CDE letter of interest and will be formalized by the Community Benefits Agreement required by the Lead CDE as a condition to close.

- **Job Creation:** 56 permanent FTEs, 75.00% of which will be full-time employees, and 70 construction FTEs
- **Job Quality:** 75.00% of the permanent positions will receive living wages and benefits, including medical, vision, and dental insurance, in addition to retirement, paid time off, sick time accrual, and paid medical and family leave. 100.00% of the construction positions will receive prevailing wages.
- **Job Accessibility:** 80.00% of the permanent roles and 85.00% of the construction roles do not require a college degree. Additionally, there will be four structured apprenticeships. The project will work with a local workforce center to execute best efforts to hire locally.
- **Food Access:** A six-stall food hall targeting small, local food businesses and startup foodpreneurs, each receiving a forgivable startup loan of approximately \$100.0K over a four-year period, with rents set below market rates.
- **Cultural Access:** A two-screen, 180-seat microcinema featuring 40.00% of its films by new artists, available to local schools and nonprofits at low cost.
- **Community Space:** A craft beer garden and seating area with 120 seats open to the public.
- **Minority Business Finance:** The sponsor is a minority-controlled and woman-controlled development company.

Impact Measurement

The Lead CDE will require execution of a Community Benefits Agreement prior to closing. This agreement will outline the specifications required to report progress and outcomes against the items above. Both community development entities carry monitoring obligations that coincide with the compliance period of the NMTC. We recommend, as part of the reporting covenant, that the Foundation consider requesting the following metrics on an annual basis: 1) The proportion of permanent hires sourced through the workforce center and residing within the surrounding zip codes; 2) Data on food hall tenant retention and revenue growth; 3) The number of nonprofit and school uses of the theater and trend data on the rates charged; and 4) The rent and occupancy levels of the food hall bays compared to the below-market commitment as rent pressure could result in the impact case eroding should operating performance be poor.

FINANCIAL ANALYSIS

The projections produced below are the result of an independent operating and financial model prepared for this review. The model consolidates the master tenant, the project entity, and the microcinema.

Base Case Summary Projections (Years 1 through 8)

(\$ in thousands)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Gross Revenue	\$847.6	\$1,132.4	\$1,159.8	\$1,187.8	\$1,216.8	\$1,246.4	\$1,277.0	\$1,308.4
NNN Reimbursement	\$274.4	\$282.6	\$291.0	\$299.8	\$308.8	\$318.0	\$327.6	\$337.4
Vacancy and Credit Loss (20.00%)	\$(196.4)	\$(255.0)	\$(262.2)	\$(269.6)	\$(277.2)	\$(285.0)	\$(293.0)	\$(301.2)
Effective Gross Income	\$925.6	\$1,160.0	\$1,188.6	\$1,218.2	\$1,248.4	\$1,279.6	\$1,311.6	\$1,344.6
Operating Expenses	\$(153.2)	\$(157.8)	\$(162.4)	\$(167.4)	\$(172.4)	\$(177.4)	\$(182.8)	\$(188.4)
Property Tax	\$(125.6)	\$(129.4)	\$(133.2)	\$(137.2)	\$(141.4)	\$(145.6)	\$(150.0)	\$(154.4)
Net Operating Income	\$647.0	\$873.0	\$893.0	\$913.6	\$934.8	\$956.6	\$979.0	\$1,002.0
Replacement Reserve	\$(19.0)	\$(19.6)	\$(20.2)	\$(20.8)	\$(21.4)	\$(22.0)	\$(22.8)	\$(23.4)
Property Cash Available for Debt Service	\$628.0	\$853.4	\$872.8	\$892.8	\$913.4	\$934.4	\$956.2	\$978.6
Theater Operating Surplus	\$400.0	\$401.2	\$402.2	\$403.0	\$403.6	\$404.2	\$404.2	\$404.2
Theater Internal-Flow Adjustment	\$(47.4)	\$(49.4)	\$(51.2)	\$(53.4)	\$(55.4)	\$(57.6)	\$(59.8)	\$(62.2)
Total Entity Cash Available	\$980.6	\$1,205.2	\$1,223.8	\$1,242.6	\$1,261.6	\$1,281.0	\$1,300.6	\$1,320.6
Total Debt Service	\$(450.6)	\$(588.8)	\$(588.8)	\$(588.8)	\$(588.8)	\$(588.8)	\$(941.4)	\$(941.4)
Property DSCR	1.39x	1.45x	1.48x	1.52x	1.55x	1.59x	1.02x	1.04x
Entity DSCR	2.18x	2.05x	2.08x	2.11x	2.14x	2.18x	1.38x	1.40x

Credit Statistics at Exit (Year 7) (\$ in thousands)

Principal Maturing (Foundation, Bank, City CDE, HUD)	\$11,396.0
Takeout Loan Required (Base Case, HUD Excluded)	\$7,196.0
Takeout Loan Required (HUD Included in Takeout)	\$11,396.0
Year 8 Net Operating Income	\$1,002.0
Exit Capitalization Rate Applied	7.50%
Modeled Terminal Value	\$13,359.2
Appraised Prospective Stabilized Value (Oct 2025)	\$21,100.0
Refinance Loan-to-Value (Base Case, Modeled Value)	53.87%
Refinance Loan-to-Value (HUD Included, Modeled Value)	85.31%
Refinance Loan-to-Value (HUD Included, Appraised Value)	54.01%
Debt Yield at Exit	13.92%
Exit DSCR	1.403x
Minimum Entity Coverage, Years 1 - 10	1.381x (Year 7)
Minimum Property Coverage, Years 1 - 10	1.016x (Year 7)
Debt Service Step-Up, Year 6 to Year 7	+59.92%

Projection Drivers

Several assumptions in the model drive the outcomes. The food hall base rent is set between \$9.00 and \$9.25 per square foot per month across the four executed LOIs, one unsigned LOI, and the one open bay, which produces \$367.6K in Year 1 after accounting for the \$139.4K of contractual abatement. Vacancy and credit loss are applied at 20.00% of gross income (including reimbursements), against the 2.00% vacancy presented in the appraisal. Property tax is carried at \$125.6K, Halden's own figure (half of its \$251.2K full tax amount), through the assumption that a nonprofit property tax exemption applies to the portions of the building that Halden operates directly. The NNN reimbursements are set at 98.47% of total NNN expenses plus property tax, Halden's own recovery ratio, so that they move in line with the expenses they recover. Theater ticket sales are assumed at \$2.4M in Year 1, escalating at 2.00%, and producing an operating surplus of roughly \$400.0K after film licensing, which has been assumed to be 45.00% of revenue. Finally, there are assumptions for \$500.0K for payroll, the Operator consulting fee, and intercompany rent. We have assumed both revenue and expenses escalate at 3.00%.

As noted earlier, our assumptions result in property-level coverage failing the 1.20x hurdle in every year from Year 7 through Year 10; however, the deal clears at an entity level driven by the theater contributing its operating surplus at around \$400.0K per year. Coverage falls in Year 7 due to annual debt service rising from \$588.8K to \$941.4K while cash flow is largely unchanged. The Foundation, bank, and City CDE notes are refinanced into an amortizing takeout loan at \$645.6K a year, against \$381.6K of interest only, and the Section 108 note converts to principal and interest at \$296.0K a year, against \$207.0K of interest only. Currently, no operating budget for the theater exists. We have also modeled theater breakeven ticket sales at \$1.51M against the assumed \$2.4M of projected revenue through ticket sales.

Construction-Period Liquidity

A detailed monthly construction phase analysis covers the 16-month period from financial close to theater opening, extended to 20 months. Because the PBP has been drawn in full and spent on predevelopment, there is no grant reimbursement lag during construction. The Base Case need is HCD's opening cash balance of \$(21.4K) and its operating result of \$(8.8K) per month.

These needs are offset by HCD's \$91.2K share of the Cedar Court receivable, expected by year-end 2026, and \$355.4K from Linden in month twelve. The table below provides additional details.

Base Case Sensitivity	Peak Deficit	Guarantor Injection	Months Negative	Ending Balance
As modeled	\$(8.8)	\$27.4	0 of 20	\$276.0
Cedar Court Delayed to Month 13	\$(30.2)	\$118.4	2 of 20	\$367.0
Cedar Court Never Arrives	\$(30.2)	\$118.4	2 of 20	\$276.0
Neither Developer Fee Arrives	\$(30.2)	\$198.0	2 of 20	\$0.0

(\$ in thousands)

Months negative counts months in which HCD's balance remains below zero after the guarantor's injection.

The construction bridge does not depend on either developer fee arriving. Without both, the guarantor covers HCD's monthly deficit for the full window, injecting \$198.0K. The remaining Cedar Court balance owed to Halden of \$1.51M is deferred into operations and is only payable from residual cash flows. This analysis assumes that both the City and CDBG funds are available at closing. If either is reimbursement-based, a bridge requirement will become necessary.

In the Worst Case in which no Cedar Court fee ever arrives and the corporate overhead is higher, the nonprofit is projected to be negative in sixteen of twenty months of the construction phase, eventually bottoming at \$(275.8K).

Sources of Repayment

The Foundation would receive repayment on its loan from a single source: the commercial takeout refinancing at the conclusion of the seven-year compliance period. This would be executed at the same time as the unwind of the NMTC structure. There is no amortization or prepayment permitted during the compliance period. The Base Case assumes a takeout loan of \$7.2M, equal to the Foundation, bank, and City CDE balances that come due, against a modeled terminal value of \$13.4M, for a debt yield of 13.92%. A takeout lender requiring 1.20x coverage on the property's own cash flow would lend approximately \$5.4M, leaving an assumed gap of \$1.8M that would need to come from another source. This is based on a Year 6 property cash flow of \$934.4K. At 1.20x coverage, that cash flow supports \$778.8K of annual debt service. After the \$296.0K Section 108 payment, \$482.8K remains for the takeout loan, which at the Base Case terms of 7.50% over 25 years supports a loan of approximately \$5.4M. Should the HUD Section 108 note be required to be refinanced at the unwind, the takeout would increase to \$11.4M, resulting in the refinance leverage rising to 85.31% and the property level coverage falling to 0.94x. Conventional lenders may not be available to Halden on these terms, placing the Foundation's full repayment at risk.

The model's sensitivity matrix tests exit coverage across refinancing rates of 5.50% to 13.50% with amortization terms of five to thirty years. At 25 years, coverage falls below 1.20x between 10.00% and 10.50%. At 20 years, it falls below 1.20x between 9.00% and 9.50%, and at fifteen years, between 7.00% and 7.50%. At ten and five years, it is below 1.20x at every rate tested. Amortization term, more than rate, determines whether the takeout is serviceable.

Secondary sources of repayment appear to be weak. HCD, the likely primary guarantor, reports \$1.45M of equity in its December 2025 internal statement, against \$198.0K of net assets in its FY2024 Form 990, with nearly all of its assets in loans to related parties. Halden Development, the additional guarantor, carries \$79.4K of equity, and its remaining assets are reported only as a summary line that is likely to be made up of related-party paper. The \$416.0K capitalized operating reserve, which HUD requires under the Section 108 loan, is modeled to be undrawn in all cases except the Worst Case, in which it is exhausted completely. These data points suggest that the loan should be underwritten on project cash flow and takeout feasibility rather than sponsor support.

Scenario Analysis

The model includes four scenarios: Halden's case as presented in its own proforma, and three diligence cases (Base, Best, and Worst). The primary differentiating assumptions and resulting outputs are highlighted below.

Halden's own budget shows sources and uses in balance. The Halden Case shows a \$422.6K surplus for two reasons. First, the model treats Halden's \$380.0K of CDE reservation fees as part of the CDE fees already deducted from the NMTC equity, rather than as a separate cost. Second, the model calculates construction-period interest at \$41.8K lower than Halden's budget.

(\$ in thousands)	Halden Case	Base Case	Best Case	Worst Case
Vacancy and Credit Loss	20.00%	20.00%	10.00%	35.00%
Theater Ticket Sales, Year 1	\$2,800.0	\$2,400.0	\$2,800.0	\$2,000.0
Property Tax	\$0.0	\$125.6	\$71.4	\$142.8
HCD Monthly Operating Result	\$24.4	\$(8.8)	\$0.0	\$(17.6)
Halden Development Monthly Result	\$13.2	\$13.2	\$33.4	\$0.0
Exit Capitalization Rate	6.00%	7.50%	6.50%	8.50%
HUD Section 108 in Takeout	No	No	No	Yes
QEI Size	\$32,000.0	\$32,000.0	\$34,000.0	\$28,000.0
Outputs				
Total Uses	\$34,419.6	\$34,572.6	\$34,653.6	\$36,042.6
Unfunded Capital Gap	\$(422.6)	\$255.4	\$(2,295.4)	\$7,531.0
Peak Construction Deficit	\$0.0	\$(8.8)	\$0.0	\$(275.8)
Guarantor Cash Injection ⁴	\$0.0	\$27.4	\$0.0	\$9.6
Peak Deficit Not Covered by Guarantor	\$0.0	\$0.0	\$0.0	\$(275.8)
Unfunded Position at End of Window	\$0.0	\$0.0	\$0.0	\$(8.6)
Terminal Value	\$18,750.8	\$13,359.2	\$22,736.2	\$3,758.2
Takeout Required	\$7,196.0	\$7,196.0	\$6,196.0	\$11,396.0
Refinance LTV	38.38%	53.87%	27.25%	303.23%
Exit DSCR	2.581x	1.403x	3.102x	(0.094x)
Minimum Property Coverage	1.157x	1.016x	1.805x	0.224x
Year 8 Breakeven Occupancy	71.94%	79.45%	55.83%	149.40%
Uncovered Guarantor Calls, Years 1 - 10	\$0.0	\$0.0	\$0.0	\$5,344.8

The Worst Case is not intended to be predictive. It combines a 35.00% vacancy factor, \$2.0M of ticket sales, no revenue escalation, property taxes of \$142.8K, a \$240.0K land purchase price, reduces the QEI to \$28.0M, no Cedar Court developer fee, and includes the HUD note in the takeout. It shows the effect of many identified risks occurring at once. Under these conditions, the project does not service its debt, and operating reserves would be exhausted. The scenario is intended to illustrate that the guarantees provide a negligible level of protection, and the defense of this investment would be in the quality of the takeout, and strong covenants. Unlike the Base Case, the guarantor cannot cover the deficit, and the construction window closes with the nonprofit \$8.6K short.

⁴ Guarantor Cash Injection is the amount the guarantor actually contributes, which is capped at its available cash. In the Worst Case, the guarantor's cash is exhausted at its \$9.6K opening balance, so the remaining deficit goes unfunded, as shown on the following line in the table.

RECOMMENDED CONDITIONS PRECEDENT AND COVENANTS

Our present assessment is that this transaction can be invested in, but only if every condition set out below is satisfied first. The risks identified in this report are material, and the proper mechanism for managing this risk is both a specific and strict set of conditions, not a reduction in loan size. The conditions are grouped into three categories: 1) Conditions precedent to a commitment; 2) Conditions precedent to a disbursement; and 3) Ongoing covenants. Each is drafted in a way so that it can be satisfied by the delivery of a formal document, and each is capable of being objectively verified. We recommend that no commitment be issued until every condition in the first category is satisfied, and that no funds be disbursed until every condition in the second category is satisfied.

A. Conditions Precedent to Issuing a Commitment

1. **Reconciliation of the loan request.** Written confirmation provided from Halden of the total amount, lien position, and repayment terms requested from the Foundation, fully reconciling the \$5.4M first-position request from the original loan request and referenced in the Foundation's subcommittee memorandum. This should be reconciled against the \$3.0M requested from the Foundation and the bank tranche structure Halden is currently working to secure. It should also confirm whether the Foundation lends to the Leverage Lender or, as Halden also raised, to HCD directly.
2. **Evidence of a fully closed capital stack.** The sponsor provides a certified sources and uses statement demonstrating that all uses are funded by the committed sources with no residual or outstanding gap. This should reflect corrections identified in this report, including removal of the \$447.0K CDBG tenant improvement grant, which Halden confirms is the same allocation as the CDBG gap grant, and the Prior Developer payment at the documented \$242.0K.
3. **HUD Section 108 confirmation.** Written confirmation from the City (or the comparable state or federal entity with equal authority) showing that the \$4.2M Section 108 note carries a twenty-year term amortizing over twenty-five years and survives the NMTC compliance period. It should confirm that it is not required to be refinanced at the unwind, and that the principal and interest payments commence at the conclusion of the compliance period. Additionally, confirmation of the interest rate should be provided in writing as well (see the note to Appendix 1).
4. **Refinance Plan.** At the end of the compliance period, \$7.2M of debt comes due and must be repaid by a new takeout loan. Based on the property's projected cash flow, a lender requiring 1.20x coverage would lend approximately \$5.4M, leaving roughly \$1.8M unfunded. Halden should provide a written plan identifying how it will cover that amount, such as additional equity, a smaller bank loan, or cash set aside during the compliance period.
5. **Reconciliation of the Cedar Court receivable.** A written payment plan from the Cedar Court partnership for Halden's \$1.51M deferred share, and confirmation of the payment date for the \$91.2K receivable for Cedar Court.
6. **Executed bank leverage loan commitment.** An executed term sheet or letter of intent from the bank(s) providing the \$3.2M in leverage loans, stating the total amount, corresponding rate, terms,

and conditions. It should also note if the loan is a construction loan or a leverage note and confirm that the lender's condition regarding the City's recorded power of termination has been resolved.

7. **Reinstatement of the NMTC approvals.** Written and confirmed extensions or revisions of the outside closing dates from the Investor and both CDEs. All three are currently lapsed as of September 2026. This should include written confirmation from the Lead CDE that its requirement for five years of guarantor audited financial statements, which HCD does not have, is waived or replaced.
8. **Ninth amendment to the DDA.** An executed amendment extending the close of the escrow beyond 2026 to a period coinciding with a revised project schedule. Additionally, this amendment should state the purchase price of the property (\$240.0K versus \$2.00).
9. **Guarantor capacity.** Written confirmation of the complete list of contingent, short and long-term liabilities for all Halden entities, current bank balances, operating budgets through FY2028, and a reconciliation of HCD's Forms 990 to its internal financial statements, including the \$5.0M loan payable to the Lead CDE shown in the FY2023 return. Halden has committed to providing this by mid-October 2026.
10. **Tax counsel opinion on Leverage Lender ownership.** Written confirmation from the tax counsel that the ownership of the Calder Theatre Leverage Lender, LLC and the project entity, as finally structured, satisfies the Investor's condition that the Leverage Lender does not share identical ownership with the borrower.
11. **Formation and transfer documents.** Formation documents for Calder Theatre Leverage Lender, LLC and the new HCD-controlled nonprofit, executed documents transferring the commercial property and DDA rights from Calder Theatre and Public Market, LLC, the executed Prior Developer withdrawal amendment, and the City's written approval of each transfer.
12. **Property tax determination.** A clearance certificate from the County Assessor (or other comparable government body with authority), or a reasoned opinion of counsel, addressing whether a nonprofit property tax exemption is available to the project entity. If yes, it must outline the proportion of the property it applies to, and the assessed value that will result from the reassessment on conveyance.

B. Conditions Precedent to Disbursement

1. **Building permits issued.** Confirmation of the issuance of the building permits with the corresponding clearance of the outstanding conditions, to include the City engineering right-of-way dedication, the Fire Department occupancy approval, and the County health and sanitation clearances. Halden reports that only the right-of-way dedication remains. Written evidence of the other clearances should be provided.
2. **Close of escrow and recorded title.** Records of the grant deed conveying the site to the project entity, an ALTA owner's policy of title insurance, and evidence of the Foundation's security position as documented.
3. **Fixed price or guaranteed maximum price construction contract.** An executed contract with Halden Construction Management, Inc. on a fixed price or guaranteed maximum price basis. This

agreement should also contain all relevant draw schedules and schedule of values, reviewed by an independent third-party inspector at the sponsor's expense.

4. **Bonds and insurance.** Documentation and binders proving a 100.00% payment and performance bond, builder's risk coverage, pollution liability with the twelve-month tail and professional liability, all in the amounts required by the City's Required Insurance and Minimum Limits form. Premiums should be funded from the construction budget.
5. **Executed leases.** Full and formal executed leases, not letters of intent, for no fewer than five of the six food hall bays.
6. **Theater operating budget and operator agreement.** A completed microcinema operating budget prepared by or with the Operator. Additionally, either an executed extension of the Operator's consulting agreement or an executed operating agreement with a qualified operator running through at least the first full year of stabilized operations.
7. **City funding at closing.** Executed City and CDBG funding agreements confirming that the funds are available at closing. If either is reimbursement-based, an executed committed working capital facility properly sized to the exposure.
8. **Third-party flow of funds.** The flow-of-funds and projection analysis prepared by a national NMTC accounting firm acceptable to the Investor and the CDEs.
9. **Community Benefits Agreement.** Execution of the Community Benefits Agreement that is required by the Lead CDE. This document should also incorporate the outcomes noted in the City CDE letter of interest.
10. **Current appraisal and environmental report.** Any appraisal and environmental site assessments required by the Investor as construction conditions, addressed or assignable to the Foundation.
11. **Funding of all deposits.** Evidence that the four deposits (Investor transaction cost, Lead CDE reservation, City CDE letter of interest, and City CDE loan letter of interest) have been paid. Written approval from the City's economic development department of their payment from PBP funds should also be provided.

C. Ongoing Covenants

1. **Debt service coverage.** The entity-level hurdle for the DSCR should be set at 1.20x, tested annually on audited or reviewed financial statements, and should coincide with the covenant in the City CDE loan letter of interest. Given that the property-level coverage is projected to not clear the hurdle in Years 7 through 10, the Foundation should adopt the entity-level test explicitly.
2. **Operating reserve.** Proof of the maintenance of the \$416.0K capitalized operating reserve throughout the loan term, with an obligation to replenish within twelve months of any draw.
3. **Takeout planning covenant.** A requirement that no later than Year 5, the sponsor delivers a written refinancing plan with at least one term sheet from a prospective takeout lender, together with a takeout sizing at 1.20x on trailing property cash flow. The purpose is to begin planning and preparing for any potential shortfall at least two years prior to the conclusion of the compliance period.

4. **Restrictions on related-party payments.** While any payment default or coverage covenant breach subsists, no distribution, developer fee payment, or other forms of payment to Halden Development, Inc. or Halden Construction Management, Inc. should be rendered.
5. **Affiliate fee reporting.** Timely quarterly reporting of all invoiced amounts paid by the project to Halden Development, Inc. and Halden Construction Management, Inc. with all relevant supporting documentation, for the duration of the loan.
6. **No additional indebtedness or liens.** No additional debt secured by the property or the master lease, and no change in the lien priority, without the Foundation's written consent.
7. **Change of control and key person.** Written consent for any change in control of the borrower, the project entity, or the Leverage Lender, in addition to timely notice of any change in the role of Elena Marquez.
8. **Reporting.** Audited financial statements for Halden Community Development and reviewed statements for Halden Development, provided annually. Halden notes that an audit is not legally required at HCD's current revenue, so the first audit year should be agreed to at commitment. Quarterly project-level operating statements and rent rolls during the construction phase and for the first three operating years converting to annual beginning in Year 4. Reports provided monthly on construction draws with third-party inspection certificates. Immediate and timely notice provided in the event of any default, lien, or notice of termination under the DDA or the NMTC documents. Annual reporting for the impact metrics outlined in the Impact Overview section.

Collectively, these conditions assist in transitioning the transaction from one that relies on undocumented assurances to one that is supported by executed documents. Most are within the sponsor's control or are already in process. The three that currently are not, being the written HUD confirmation, a property tax determination, and a plan that closes the refinance shortfall, are the three that would most directly impact the Foundation's repayment. Any potential waiver to be considered for any of the above items should require an affirmative decision of the Foundation's Investment Committee, recorded in writing. We recommend that these three not be waived under any circumstances.

APPENDICES

APPENDIX 1 – CONSOLIDATED DEBT SCHEDULE (BASE CASE)

Tranche	Original Balance	Rate	Amortization	Annual Debt Service	EOY 7 Balloon
Foundation (Leverage Pool A-Note)	\$3,000.0	3.00%	Interest Only*	\$90.0	\$3,000.0
Bank Leverage (B-Note)	\$3,196.0	8.50%	Interest Only*	\$271.6	\$3,196.0
City CDE Subordinate (C-Note)	\$1,000.0	2.00%	Interest Only*	\$20.0	\$1,000.0
HUD Section 108 (D-Note)	\$4,200.0	4.93%†	Interest Only*	\$207.0	\$4,200.0
Total	\$11,396.0			\$588.8	\$11,396.0

(\$ in thousands)

*Years 1-7

† The HUD Section 108 Rate of 4.93% is taken from Halden's Sources and Uses and Operating Proforma, stating the rate and the corresponding \$414.2K of two-year capitalized interest. The City resolution sets the rate as the City's cost of funds plus 0.25% without specification as to the cost of funds. No City or HUD document independently confirms the figure. Written confirmation of the rate should accompany the HUD term confirmation sought as a condition precedent.

APPENDIX 2 – MICRO CINEMA OPERATING PROJECTIONS (BASE CASE)

(\$ in thousands)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Ticket Sales	\$2,400.0	\$2,448.0	\$2,497.0	\$2,547.0	\$2,597.8	\$2,649.8	\$2,702.8	\$2,756.8
Concessions	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Film Procurement	\$(1,080.0)	\$(1,101.6)	\$(1,123.6)	\$(1,146.0)	\$(1,169.0)	\$(1,192.4)	\$(1,216.2)	\$(1,240.6)
Theater Staff Payroll	\$(500.0)	\$(515.0)	\$(530.4)	\$(546.4)	\$(562.8)	\$(579.6)	\$(597.0)	\$(615.0)
Intercompany Rent	\$(240.0)	\$(244.8)	\$(249.6)	\$(254.6)	\$(259.8)	\$(265.0)	\$(270.2)	\$(275.6)
Operator Consulting Fee	\$(120.0)	\$(123.6)	\$(127.4)	\$(131.2)	\$(135.0)	\$(139.2)	\$(143.2)	\$(147.6)
Utilities	\$(50.0)	\$(51.6)	\$(53.0)	\$(54.6)	\$(56.2)	\$(58.0)	\$(59.8)	\$(61.4)
CapEx Reserve	\$(10.0)	\$(10.4)	\$(10.6)	\$(11.0)	\$(11.2)	\$(11.6)	\$(12.0)	\$(12.2)
Net Theater Cash Flow	\$400.0	\$401.2	\$402.2	\$403.0	\$403.6	\$404.2	\$404.2	\$404.2

No operating budget for the microcinema has been provided. The projections utilized within the Base Case are our own, based on assumed ticket volume, a film licensing fee of 45.00% of revenue, and the contracted Operator fee. They should be replaced with a sponsor / operating partner-prepared budget.

APPENDIX 3 – SPONSOR FINANCIAL HISTORY

From Halden's 24-month Financial Snapshot provided in September 2026. These financials are unaudited and internally prepared. No intercompany transactions have been eliminated.

<i>(\$ in thousands)</i>	FY2023	FY2024	FY2025	FY2026 (Jan – Aug)	FY2027 Budget
HCD Operating Income	\$120.6	\$554.4	\$317.8	\$182.8	\$769.8
HCD Net Operating Income	\$16.8	\$41.2	\$(174.6)	\$(70.6)	\$558.4
HCD Net Income	\$91.8	\$647.6	\$538.4	\$(70.6)	\$678.4
Halden Development Net Income	\$127.0	\$400.6	\$122.2	\$267.2	\$159.4
HCM Net Income	< \$40.0	< \$40.0	< \$40.0	\$133.4	\$922.0

HCM's FY2027 budget includes a Calder Theatre construction management fee of \$897.6K payable March through December 2027. HCD's FY2027 budget includes \$265.8K of Linden developer fees and \$24.0K of Cedar Court fees. The Base Case includes HCD's \$91.2K share of the Cedar Court receivable in the first month of construction.

DISCLAIMER

This memorandum is an anonymized sample prepared by Sicil Pine LLC to illustrate its credit analysis. Names, locations, history, and dollar figures have been changed, while ratios, structure, and the analysis are unchanged. It is not an offer, solicitation, or recommendation concerning any security, and it is not investment, legal, tax, or accounting advice.

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