



----- Coffee Shop

-----, Minnesota -----

Inspection #2 - Virtual Inspection

----- Bank

Engagement Agreement Date: -----, 2024

Contractor Draw: 2

Inspection Date: November 7, 2024

Report Date: November 8, 2024

Contact: andrew.philpott@usainspect.com

----- Manager
----- Bank



Dear ----- ,

At your request, we have completed the Inspection Report for the ----- **Coffee Shop -**
-----, **Minnesota** project in accordance with our engagement agreement dated -----

Thank you for choosing our firm to monitor this project on your behalf. Please carefully review this report, and feel free to call should you have any questions or need clarification in any way.

Sincerely,

A handwritten signature in blue ink, appearing to read "Andrew Philpott", is shown above the printed name.

Andrew Philpott | Construction Consultant
USA Construction Consultants

Email Distribution:

----- via email: ----- @-----bank.com

Attachments:

- EXHIBIT A: Photographs
- EXHIBIT B: Application for Payment No. 2
- EXHIBIT C: Change Order

USA Construction Consultants | Nationwide

770-237-5955 (Office)
770-722-6293 (Mobile)
andrew.philpott@usainspect.com
usaconstructionconsultants.com



EXECUTIVE SUMMARY

DRAW FUNDING RECOMMENDATION

As a result of our inspection, we found the line items represented in Application No. **2** to be generally representative of the work completed and materials stored on site. Therefore, we can recommend full funding of the requested payment totaling **\$357,923.34**, provided that all loan conditions, such as equity requirements, have been satisfied.

REMAINING HARD COSTS

We ask that you confirm that sufficient loan and/or equity proceeds remain to fund the anticipated remaining hard costs, including retainage, of **\$81,636.72**. These remaining cost are the Retainage funds totaling \$71,088.72 and \$10,548.00 for General Condition fees.

HARD COST SUMMARY

APPLICATION #:	2
DRAW PERIOD:	November 1, 2024
CURRENT PAYMENT DUE:	\$357,923.34
RETAINAGE:	\$71,088.72
RETAINAGE %:	10.00%
ORIGINAL HARD COSTS:	\$718,485.00
CHANGE ORDERS:	\$2,950.20
CURRENT HARD COSTS:	\$721,435.20
COMPLETED TO DATE:	\$710,887.20
% COMPLETED:	98.54%
CONTINGENCY:	\$0.00 / \$0.00

INSPECTION OVERVIEW

INSPECTION DATE:	November 7, 2024
TIME OF INSPECTION:	03:31 PM
WEATHER CONDITIONS	Clear, Warm
SCH COMPLETION DATE	October 31, 2024
EST COMPLETION DATE	November 29, 2024
EST % COMPLETED:	100%
FOUNDATIONS COMPLETED:	Yes
OCCUPANCY STARTED:	No



PROJECT DETAILS

SITE ACREAGE:	.30
FINISHED SQUARE FOOTAGE:	664
UNFINISHED SQUARE FOOTAGE:	0

NAME:	----- Coffee Shop
ADDRESS:	----- , USA
DEVELOPER:	----- LLC
GENERAL CONTRACTOR:	----- Construction
ARCHITECT:	----- Architects

PROJECT TYPE:	Retail - Restaurant
PROJECT CLASSIFICATION:	Commercial
PROJECT SCOPE:	New Construction
NO. OF BUILDINGS:	1
NO. OF STORIES	1

PROJECT DESCRIPTION

GENERAL OVERVIEW

Your client proposes the construction of a new 1-story building totaling 664 gross square feet to be utilized as a coffee shop, as well as requisite site improvements to service the building. The project is to be constructed on a 0.30-acre site located at ----- Street in ----- . The project site will be accessed via the parking lot of the adjacent lot.

EXISTING CONDITIONS

According to the survey provided, the site lies within a flood zones "B" and "AO" as noted on the F.I.R.M. Map No. 2703640002C, dated September 1, 1977. Wetlands and state waters are not present on the property. The property is currently improved with an asphalt parking lot. Asphalt pavement and concrete curb will be demolished for the proposed improvements. A section of existing sidewalk and pavement within North Main Street will also be demolished for utility installations.

PROPOSED SITE CLEARING & GRADING

Although there are no notes on the grading plans, we assume that the Contractor will perform at the best of their ability to balance the site with import/export material. Site activities appear to disturb the entire site.

PROPOSED SITE PIPEWORK/UTILITIES

The site's storm runoff will be managed by high-density polyethylene (HDPE) pipe connecting grate inlets and roof drains. Runoff will tie to an existing storm structure located in the northwest corner of the site.

Sanitary sewer service will be provided to the new building via a 4-inch PVC lateral that will connect to the existing sanitary sewer line located within North Main Street, east of the site. Domestic water service will be provided by installing a 1-inch HDPE service line to the building from the existing waterline located along -----

SITE PARKING & AMENITIES

A site plan notes that new concrete curb and gutter are to be installed, as well as sidewalks. Bituminous pavement will be installed for the parking spaces and drive-thru lane. The building will have a drive-thru lane that will wrap around the building. Parking for 19 vehicles will be provided at the site which includes 1 handicap parking space.

BUILDING EXTERIOR

The new building will be constructed with a typical shallow foundation system consisting of a reinforced continuous spread footing system with a 4-inch thick turndown slab-on-grade. The building will be framed with wooden materials, and the roof system will consist of pre-engineered trusses covered by plywood and TPO membrane roofing. The exterior veneer shall consist of exterior wall panels and siding. Awnings shall be installed over the entrances and exterior windows.

BUILDING INTERIOR

The building interior will generally consist of a barista station, back-of-house, and a restroom. Interior finishes shall include fiber reinforced plastic wall panels, acoustical ceiling tiles, vinyl wall base, and sealed concrete flooring.

MECHANICAL, ELECTRICAL, PLUMBING, FIRE SPRINKLER

The building will be serviced by new mechanical, electrical, and plumbing systems. A heat pump split system will be installed to heat and cool the building. Typical supply, waste, and vent piping will be installed for the building's plumbing system. A 400-Amp main distribution panel will be installed along with LED light fixtures.

PROJECT MEETINGS

No Contractor personnel were met on site during our site visit.

Our firm is not aware of ongoing monthly Owner, Architect, Contractor (OAC) meetings held for this project.

Observations:

We met with the Owner's Representative, Mr. ----- , to complete the virtual site walk through.

PERMITS AND THIRD-PARTY TESTING

PERMITS

Permits have not been reviewed for this project.

INSPECTION SIGN-OFFS

While on site, we were not able to confirm inspection sign-offs by the local jurisdiction (or private inspection company) commensurate to the work completed to date.

THIRD-PARTY TESTING REPORTS

Our firm has not been provided third-party testing reports; therefore, we cannot comment on whether deficiencies are present or not.

CONSTRUCTION STATUS

SITE WORK

Current Inspection

📅 November 7, 2024

This was a virtual inspection.

The Contractor has completed the site paving and pavement striping. Landscaping rock and sod have also been placed throughout the site.

BUILDING

Current inspection

📅 November 7, 2024

This was a virtual inspection.

The building's exterior veneer has been completed and painted, and building signage installation was being finalized during our inspection. The TPO roofing and coping have also been completed.

On the interior, the rough-ins have been completed, and the walls have been covered. The flooring finishes have been completed, and installation of the acoustical ceiling tile system is in place with some tiles remaining to be inserted. Equipment and shelving have been put in place, and the building appears to be substantially complete with punch-list items and final finishes to be completed.

COMPLIANCE

PLANS

Plans were provided for compliance review with a latest revision date of **March 20, 2024**.

QUALITY

The work performed to date appears to meet an acceptable level of workmanship as compared to industry standards. There are no significant quality-related observations to report on for this site inspection.

SCOPE

The work performed to date appears to have been completed in general compliance with the drawings provided.

SCHEDULE

ORIGINAL CONTRACTUAL OBLIGATION

- The Date of Commencement shall be set forth in a Notice to Proceed by the Owner.
- Substantial completion is to be obtained within 120 calendar days from commencement.

CONSTRUCTION SCHEDULE

We have been provided a construction schedule noting a scheduled completion date of **October 31, 2024**. Based on normal working conditions and a regular work force, we anticipate the project can be completed by **November 29, 2024**.

The following were noted during our most recent site visit on **November 7, 2024**:

What were the weather conditions?	Clear, Warm
How many workers were on-site?	9+
Was the site secure and clean of debris?	Yes
What is the pace of construction?	Accelerated

Observations:

Based on the observed work in place, we estimate that the Contractor will meet our estimated completion date of November 29, 2024.



ESTIMATE OF PERCENTAGE OF PROJECT COMPLETION



As of our most recent site visit on **November 7, 2024**, we estimate the overall project to be approximately **100%** complete based on the site progress to date. However, please note that the percentage is meant to indicate the work to be substantially complete, as there may be some minor, non-critical tasks still needing to be addressed.

DRAW REVIEW

DEVELOPMENT DRAW

A development draw was not provided for our review at this time.

CONTINGENCY

A development draw was not provided for our review. As such, we cannot verify if a contingency for hard cost overruns is included in the developer's budget.

HARD COST DRAW REQUEST

We received Application and Certificate for Payment No. **2** from **Construction** totaling **\$357,923.34** for work completed through **November 1, 2024**.

CHANGE ORDERS

The Change Orders associated with the current payment application in the amount of **(\$500.00)** have been approved by the Owner and/or Architect. The Change Orders did not affect the contractual completion date.

Observations:

After reviewing the continuation sheet, it appears that the \$500 has been reduced from the Change Order line item. This reduces the first Change Order from \$3,450.20, to \$2,950.20.

PENDING CHANGE ORDERS

No pending Change Order log is known to our firm at this time.

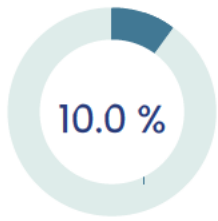
ADDITIONAL INVOICING

Additional invoicing has not been provided to back-up the draw request. We reviewed the draw request on a line item percentage completion basis only.

HARD COST CERTIFICATION

The submitted draw request has been signed and notarized by the General Contractor.

The payment application has not been certified by the Architect or another Representative of the Owner.



RETAINAGE

A **10.0%** retainage is being withheld from the payment application. This is the contractual amount.

STORED MATERIALS

ON-SITE

There were no on-site stored materials observed during the inspection.

OFF-SITE

Our firm is not aware of any materials being stored off-site.

DEPOSITS

It appears that no deposits are being requested for materials in the current payment request.

LIEN WAIVERS

Did Contractor supply lien waivers equal to amount requested?	Yes
Did the subcontractors and vendors provide conditional lien waivers?	No

CONSTRUCTION COST REVIEW SUMMARY

Our firm completed a Pre-Construction Cost and Document Review on **August 12, 2024**. Based on the review, our firm found that the General Contractor appeared to have budgeted sufficiently to complete the building and associated site improvements.

We have not received an updated Development Draw with the most recently submitted payment application; therefore, we cannot comment on the sufficiency of the remaining budget to complete the desired work. We ask the Lender to confirm that **\$81,636.72** remains in loan funds and/or equity in order to complete the project. We will continue to keep the Lender apprised of any additional cost, scope, or scheduling changes as they become aware of us.

RELIANCE STATEMENT

THE PRECEDING REPORT IS INTENDED FOR THE SOLE USE OF THE LENDER. IT IS NOT INTENDED FOR USE BY ANY THIRD PARTY AND MAY ONLY BE USED WITH THE PRIOR CONSENT AND WRITTEN PERMISSION OF USA CONSTRUCTION CONSULTANTS.

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THIS REPORT IS NOT INTENDED TO USURP THE RESPONSIBILITY OR LIMIT THE LIABILITY OF THE ARCHITECT, ENGINEER, CONTRACTOR, AND SUBCONTRACTORS, OR TESTING FIRMS OF RECORD.

THIS REPORT HAS BEEN COMPLETED IN CONFORMANCE WITH THE PROPOSAL TO THE LENDER REGARDING THIS PROJECT. PLEASE REFER TO THE PROPOSAL DOCUMENT FOR THE SPECIFIC SCOPE AND LIMITATIONS OF OUR SERVICES.

EXHIBIT A: PHOTOGRAPHS

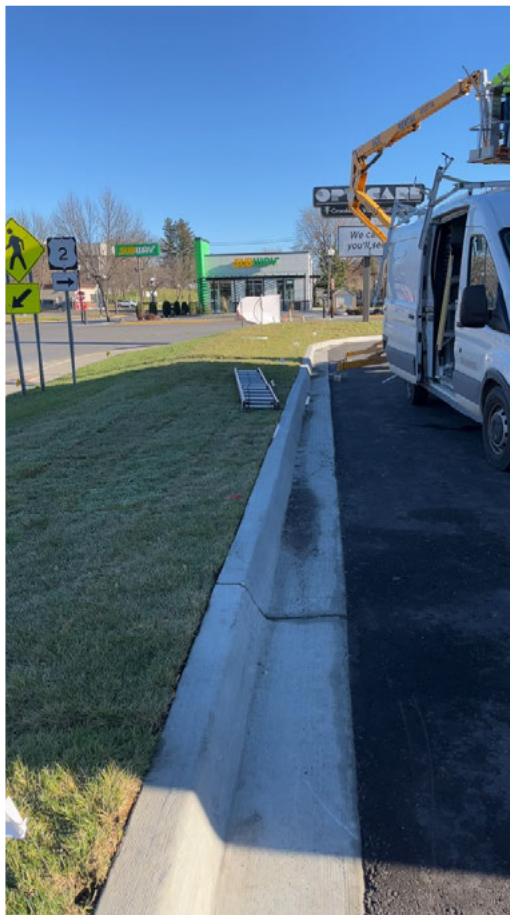


1. View of exterior veneer and building signage.



2. View of completed walls and ceiling.

EXHIBIT A: PHOTOGRAPHS (CONTINUED)



3. View of pavement, curbing, and sod.



4. View of electrical panel and acoustical ceiling tile system.

EXHIBIT A: PHOTOGRAPHS (CONTINUED)



5. View of installed equipment, shelves, and ceiling area.



6. View of drive-thru lane and landscaping rock.

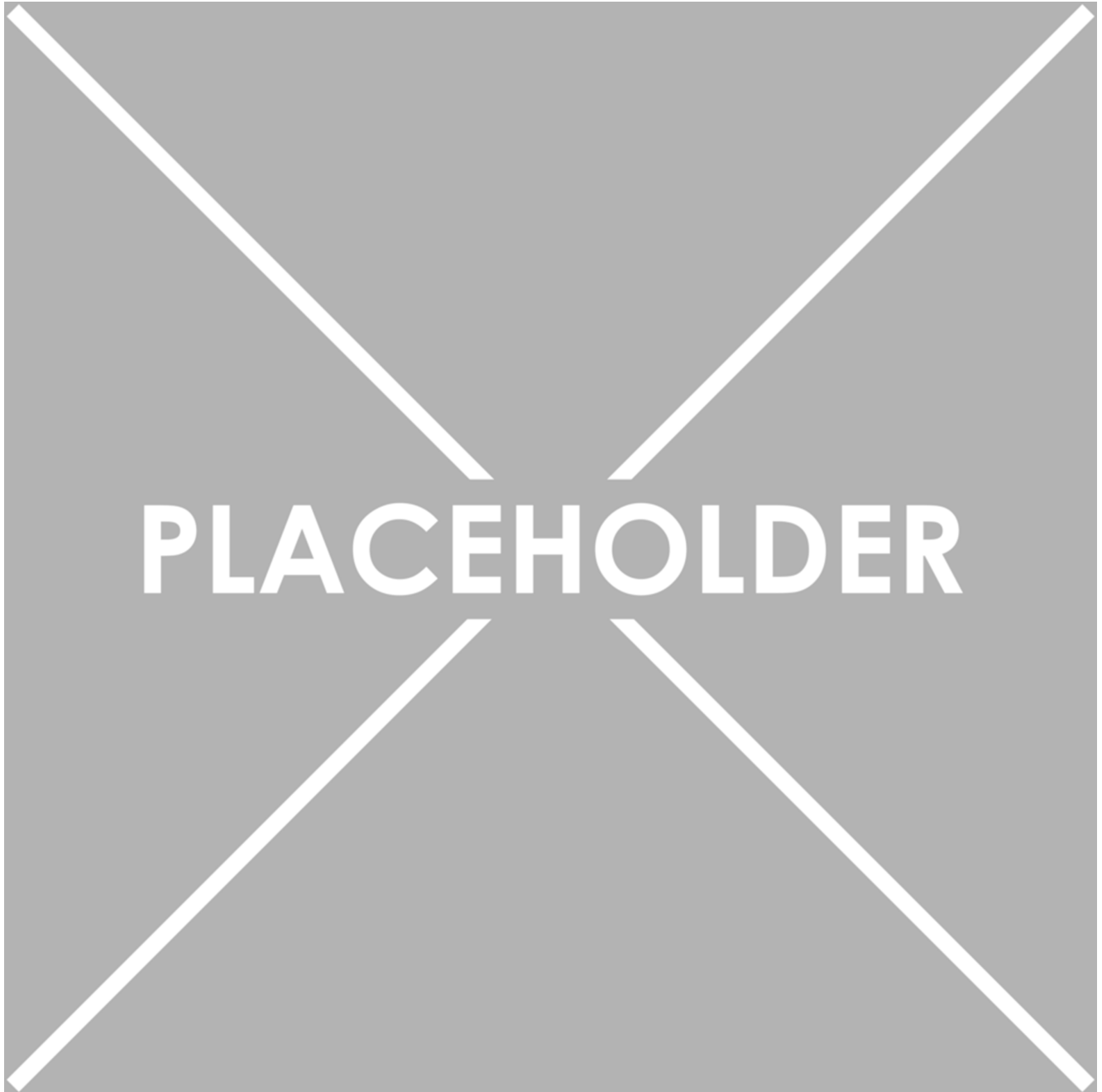
EXHIBIT A: PHOTOGRAPHS (CONTINUED)



7. View of drive-thru sign.



8. View of final electrical items being installed.



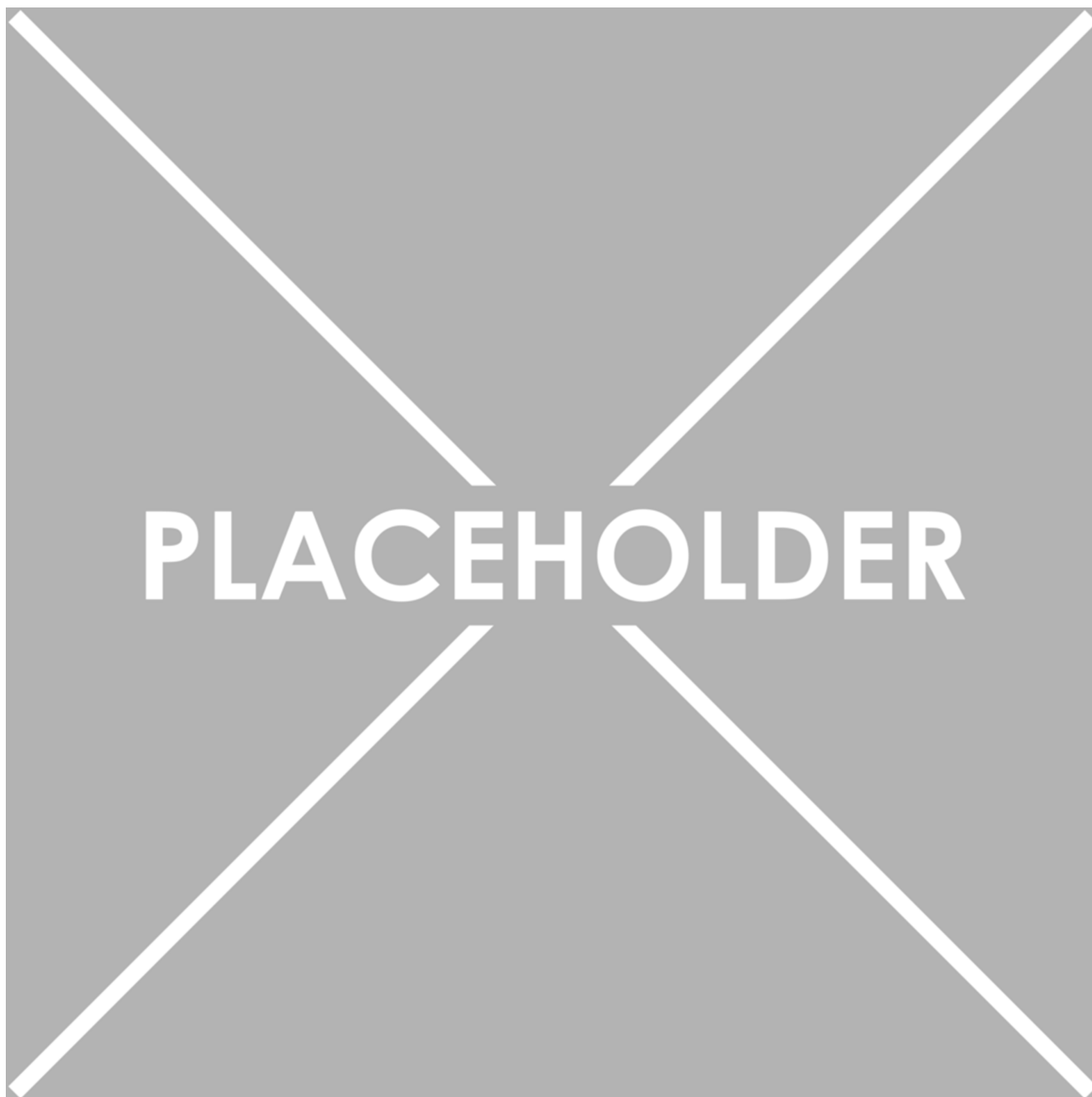


EXHIBIT C: CHANGE ORDER

CHANGE
ORDER

AIA DOCUMENT G701

OWNER ☐
ARCHITECT ☐
CONTRACTOR ☐
FIELD ☐
OTHER ☐

The Contract is changed as follows:

Increase contract \$1500 for installation of (2) light base footings
Decrease contract \$2000 for the removal of flag pole
Remove monument sign from SOW and replace with island removal and repaving. No change

Not valid until signed by the Owner, Architect and Contractor.

The original (Contract Sum) (Guaranteed Maximum Price) was.....	\$718,485.00
Net change by previously authorized Change Orders.....	\$3,450.20
This (Contract Sum) (Guaranteed Maximum Price) prior to this Change Order was.....	\$721,935.20
The (Contract Sum) (Guaranteed Maximum Price) will be (increased) (decreased) (unchanged) by this Change Order in the amount of.....	Decreased \$500.00
The new (Contract Sum) (Guaranteed Maximum Price) including this Change Order will be.....	\$721,435.20
The Contract Time will be (increased) (decreased) (unchanged) by.....	Unchanged
The date of Substantial Completion as of the date of this Change Order therefore is.....	() days

NOTE: This summary does not reflect changes in the Contract Sum, Contract Time or Guaranteed Maximum Price which have been authorized by Construction Change Directive.

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