

The following letter is a sample of what you need to prepare on Corporate Letterhead for the third-party loan to the Borrower. Any questions, just call me at (816) 233-3144. The comments in CAPS are there simply to explain that part of the letter. You may change any portion that does not fit your loan practices or policies, just be sure to keep the basic content intact. Your bank, as the third party lender has to fund 50% of the Total Project Costs, plus supply the interim financing of the net debenture portion until the debenture is funded, which is not done until the project is complete. Once the debenture is funded, we will reimburse you for the net debenture amount. Your letter should look somewhat like the sample below. You may use this verbatim, or draft your own; however the items in red have to appear in your letter.

Mo-Kan Development, Inc.
224 North 7th Street
St. Joseph, MO 64501

Dear Jon,

[REDACTED] have applied to this institution for a commercial loan and we understand that an application has been made to Mo-Kan Development, (MKDI) for an SBA Debenture Loan as well. Project property in question is located at [REDACTED].

The applicants are qualified borrowers and this institution is willing to initiate an end loan in the amount of \$ [REDACTED] or (50%) of the total proposed project costs, subject to SBA authorization of a 504-debenture loan in the net amount of \$ [REDACTED] or ([REDACTED] %) of the project costs, and the borrower's injection of \$ [REDACTED] or ([REDACTED] %) of the project costs. We also agree to provide the interim first real estate loan in the amount of \$ [REDACTED] or ([REDACTED] %) upon SBA authorization of the debenture loan and applicant making the required equity injection. [REDACTED] in requiring personal guarantees from the following individuals: [REDACTED].

Debenture loan participation is necessary because the amount exceeds this institution's policy of lending no more than [REDACTED] % of the appraised value. YOU CAN CHANGE THIS SENTENCE TO AGREE WITH YOUR LOAN POLICIES, BUT YOU NEED TO INCLUDE THIS STATEMENT IN SOME FORMAT. IF YOU DON'T MAKE THIS DISCLAIMER, IT IS CONCEIVED THAT YOUR BANK WOULD FUND THE WHOLE DEAL, AND IF YOU EVEN IMPLY THAT POSSIBILITY, THEN THE 504 LOAN IS NOT AVAILABLE TO THIS CLIENT.

The terms and conditions in which this institution will make an interim loan and an end loan are as follows:

1. Interim Loan – Amount of \$ [REDACTED] ([REDACTED] % of the project costs)
 - a. Interest rate of ____ for a term of ____ (THIS RATE CAN BE FIXED OR ADJUSTABLE FOR THE MATURITY NOTED BELOW. YOU MAY DO WHATEVER IS COMFORTABLE FOR YOUR BANK)
 - b. Maturity of ____ months after date of origin. WHILE YOU CAN CLOSE ON THE INTERIM LOAN ONCE SBA ISSUES THE AUTHORIZATION IT MAY TAKE 2-3 MONTHS TO GET THE DEBENTURE SOLD AND REIMBURSE YOUR BANK FOR THE \$ [REDACTED].
2. End Loan – Amount of \$ [REDACTED] (50% of the total project costs)
 - a. Interest rate of ____ (if fixed indicate term) (if variable indicate index)
 - b. Maturity ____ Amortization over ____ years (must be for at least 10 years.)

YOUR BANK agrees to the following covenants:

1. Provide a clause in our First Deed of Trust assigning all proceeds of the foreclosure sale in excess of the debt owed to the first lienholder to the junior lienholder and we will direct the trustee for the first lienholder in the event of foreclosure to pay over such excess to the junior lienholder immediately upon satisfying the prior lienholder.
2. Provide a clause in our First Deed of Trust stating, "Future advances may only be made with the express written consent of MKDI and SBA."
3. Provide MKDI with a copy of your terms and conditions letter (if any) to Borrowers. (IT IS IN THIS LETTER OF TERMS AND CONDITIONS THAT YOU MAY REQUIRE ADDITIONAL TEMPORARY COLLATERAL TO STAY WITHIN YOUR BANK'S LOAN POLICIES. ANY AGREEMENT HERE IS BETWEEN YOUR BANK AND THE BORROWERS.
4. YOUR BANK agrees to pay a .5% (one-half of one percent) participation fee on our permanent loan at the end closing.

Sincerely,

YOUR NAME AND TITLE

(Call me at 233-3144 if there is any problem or you have any questions. Thanks, Jon)