



Mr. William Fleming  
1040 Vermont St  
Lawrence, KS 66044

December 12, 2017

Dear Bill:

The purpose of this letter is to express our interest in being a part of the redevelopment of the Borders Building in downtown Lawrence. We have enjoyed working with your development team on other projects along New Hampshire Street, and hope to continue to be your banking partner.

While we have not yet studied the construction costs, or the impact of the potential utilization of new markets tax credits, generally, if we were to provide the financing, our terms would be similar to the following:

**Construction loan:** Funding would require a minimum of 20% of the cost be in the form of cash equity. This equity would be the first dollars into the project. The construction loan would be of a length adequate to allow completion of the construction, and secured by a real estate mortgage and assignments of rents. Any change orders or cost overruns would be the responsibility of the developer to fund as appropriate. Upon completion of construction, the project would have an "interest only" period to allow for stabilization of the project. Rates on the construction line would be floating based on National Prime, currently 4.25% plus or minus any risk-based adjustment deemed necessary.

Investors in the project would be required to provide personal guarantees adequate to cover 125% of the total bank exposure.

**Permanent financing:** Typically, we would look for a 25-year amortization of the bank loan, with fixed rates set every five years, at a spread to the then current five-year Treasury Note. For example, today the five-year Treasury Note is trading at 2.18%. Using this as a base rate, and adding a spread between 2.5% and 3% would result in a fixed rate today of 4.68% to 5.18%.

Additionally, the permanent financing will have certain financial covenants, including a Debt Service Coverage covenant of 1.15:1 as a minimum. Additional terms and conditions would also be included in any final loan documents. Guarantees are required to stay in place for the duration of the loan.

I look forward to additional conversations.

Best,

A handwritten signature in blue ink, appearing to read 'Brian Iverson', written over a light blue horizontal line.

Brian Iverson,  
Senior Commercial Relationship Manager

*This letter is not a commitment to lend, nor an agreement to issue commitment on these or any other terms. It is offered for discussion purposes only, and to express our interest in being a part of this project should it move forward.*