

•
•
•
•
•
•

Orange County Office
21193 Serra Vista
Lake Forest, CA 92630-7045
Phone 949-452-9250 Fax 949-452-9401
E-mail bradcrosley@msn.com

J.R. Bruno & Associates

March 16, 2004

To: Doug Jones, Active Lending Institution

Subject: Joe and Debbie Smith/ The Second Shop

I have reviewed the loan request for Mr. & Mrs. Smith. The request appears to meet the eligibility requirements of the SBA. I would suggest the loan amount be increased to an even \$145,000 to cover the guarantee fee of \$2,465 charged by the SBA. Assuming no credit problems or past criminal activity, the request may be processed under the LowDoc program. This offers expedited processing from a Sacramento, CA processing center in 1 to 2 days. The request would have an 85% guarantee and the Lender is allowed to retain 25% of the guarantee fee as incentive income. To proceed with the request, we will need the following information:

1. Personal and business credit reports.
2. Personal Resumes from the Smith's (form in mail).
3. Interim financials (balance sheet and P&L) for the existing location as of April or May of 2001. Please have them include an aging of their Accounts Payable.
4. The schedule of Other Deductions (line 20) from the 2000 IRS return.
5. Signed form 4506 (2) for IRS verifications (forms in mail).
6. Listing of Assets of the existing location with make model & serial # for items valued over \$500.
7. Copy of the leases for the present and proposed locations. Leases should have a term of at least the 84-month proposed loan term including options,
8. Costs, bids etc. on the \$50,000 leasehold improvements.
9. Invoices or proposals for the fixtures and equipment allocations of approximately \$85,000.
10. Your internal loan approval/write-up for the loan.

We suggest that your loan approval and commitment letter to the Borrower include the following or similar conditions. These are typical of SBA for this type of loan.

1. Financing Statement and Security Agreement perfecting a first lien position/purchase money security interest in all personal property now or hereafter owned and described as; Fixtures, Machinery & Equipment, Inventory; Accounts; Instruments; Chattel Paper; General Intangibles located at (both locations).
2. Satisfactory fire/hazard insurance covering the maximum insurable value of all property offered as collateral for this loan with Lender named as loss payee.

.....

Memorandum

March 16, 2004

Page 2

3. Copy of lease on the property located at (new location) for at least the term of the loan, including options, to be reviewed/approved by Lender. Lease to be executed prior to funding.
4. Assignment of lease between (new landlord) and (The Second Shop) with right of reassignment satisfactory to Lender.
5. Landlord's Waiver satisfactory to Lender.
6. CPA compiled business financial statements and tax returns to be provided on an annual basis within 120 days of fiscal year end.
7. Verification with IRS of tax returns provided by applicant satisfactory to Lender.
8. Conformance with Lender/SBA construction loan conditions with regard to minor improvements.
9. Certificate of Occupancy and/or Notice of Completion to be reviewed/approved by Lender.
10. Receipt/review of partnership documents including Partnership Agreement, fictitious name filing, LP-1 filing satisfactory to Lender.
11. Evidence that borrower has all necessary licenses and/or permits to conduct business at (both locations) satisfactory to Lender.
12. All other terms and conditions as may be required by the SBA.

In the mail to you today are the forms indicated above for the Borrower to complete. Please do not hesitate to call if you have questions or we can be of further assistance.

.

Sincerely,

Bradford S. Crosley
Sr. Associate