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From: [REDACTED]
Sent: Tue 7/5/2011 9:42:45 PM
Subject: 1220 South Ocean

Jeffrey

Here is an outline of the basic points discussed with Swanson. There is more detail I can provide and there is negotiating room.

Paul

A new \$10 million second mortgage loan for 1 year due say July 30, 2012 @ 18% reserved out of proceeds of loan. If loan is paid before maturity, unaccrued interest is paid as a prepayment penalty.

Use of Proceeds

\$5,332,693 – Payoff existing second mortgage

\$1,000,000 – Principal Reduction of existing first to obtain 1 year extension of maturity to Oct 30, 2012

900,000 – (approx.) interest reserve on existing first until its new maturity Oct 30, 2012

300,000 – reserve for 2012 real estate taxes

1,800,000 – reserve for 1 year's interest on new second @ 18%

667,307 – balance to Developer – (to be used for closing expenses and to maintain property, insurance, marketing, etc)

Existing Intercreditor Agreement between TD and New Providence

Second mortgagee can cure defaults on first and has 15 days after notice by TD of intent to foreclose to elect to buy first at outstanding balance then 30 more days to close.

NB – because new second would mature 90 days (say July 30, 2012) before first (Oct 30, 2012): this allows 90 days + 15 day period after notice of intent by TD to foreclose +30 days to pay TD = 135 days after due date of second to market house before \$30,235,000 due to TD.

Existing First Mortgage Details

TD Bank, mortgagee

Current balance – approx. \$21,234,571

Current Due Date – Oct 30, 2011

Current interest rate – 5.7%

Interest until Oct 30, 2011 already escrowed

Taxes for 2011 - \$137,849 escrowed. Bill not yet issued.

Existing Second Mortgage Details

New Providence Capital Management Partners II Ltd (David Kosoy), mortgagee

\$5,332,693 @ 18% due January 10, 2012. Interest escrowed to maturity. Unaccrued interest payable as a prepayment penalty.

Proposed Additional Terms applicable to Borrower (negotiable)

Prosperi Entity becomes a manager and member of LLC

Unanimity (=APP must agree) required before LLC can take actions out of ordinary course including any bankruptcy protections, refinancing, further amendments to loan documents, amendments to LLC, transfer of membership interests, etc. (exact terms to be negotiated).

Require LLC to change brokers and accept offer over a minimum amount after a date certain – say March, 2012. APP would have authority to act under amended LLC.

Other terms possible.

APP Terms.

Earns \$100,000 on closing of loan.

Earns a profit participation on sale of house by LLC equal to a percentage of gross sales price (say 2%) to be negotiated capped at \$1 million.