



October 1, 2004

Mr. Joseph R. Morrier, Sr.  
JEM Properties, LLC and Morrier Hotel, LLC as Co-Borrowers  
dba Hilton Garden Inn, Yakima, Washington  
402 East Yakima Avenue, Suite 1400  
Yakima, WA 98901

Re: **Conditional Approval Letter**

Dear Mr. Morrier:

We are pleased to inform you that the Loan Committee of Matrix Capital Bank ("Lender") has granted **Conditional Approval** of a financing package that will meet your company's needs. The package is presented to you in three separate loans: (1) Lender's conventional permanent loan in the amount of \$3,000,000 ("Loan"), and (2) \$3,560,000 HUD Section 108 loan ("HUD Loan"), offered through the City of Yakima, WA ("HUD Loan Lender"), and (3) a \$3,000,000 interim construction loan ("Interim Loan") offered through Lender, which will convert to the \$3,000,000 permanent loan mentioned above upon completion of construction.

**Borrower:** JEM Properties, LLC and Morrier Hotel, LLC (collectively, "Borrower")

**Guarantors:** Joseph R. Morrier, Sr., Elizabeth L. Morrier, Joseph R. Morrier, Jr., Michael D. Morrier, and Elizabeth A McGree.

**Business Location:** 339 East Yakima Avenue, Yakima, WA

**Purpose:** The purpose of the Loan is to provide a portion of the interim and permanent financing for the proposed Hilton Garden Inn in Yakima, Washington.

**Estimated Sources/Uses of Funds:**

<u>USES</u>	<u>AMOUNT</u>	<u>SOURCES</u>	<u>AMOUNT</u>
		Matrix	
Land/Construction/Contingency	\$ 8,001,000	Conventional	\$ 3,000,000
FFE/Property Management Systems	1,020,000	HUD Section 108	3,560,000
Interest Reserves/Loan Fee	208,000	Equity Injection	2,966,000
Closing Costs/Franchise Fees/WC	<u>297,000</u>		<u></u>

TOTAL \$ 9,526,000 TOTAL \$ 9,526,000

**Equity:** The Borrower will contribute \$2,966,000 of the total project costs in equity. Of that amount, \$2,500,000 is allocated toward the contribution of the existing land and building, \$244,000 is allocated toward payment of the construction soft costs, \$22,000 is allocated toward payment of the cost of the appraisal, Phase I Report, and survey, \$20,000 is allocated toward payment of legal fees, \$24,000 is allocated toward payment of estimated closing costs, \$76,000 is allocated toward payment of the loan origination fee, \$20,000 is allocated toward payment of the pre-opening expenses associated with the hotel, and \$60,000 is allocated toward payment of the franchise fee. Proof of the equity injection and the source of these funds must be provided prior to the closing of the Interim Loan. Closing costs related to the Interim Loan, the Loan, and the HUD Loan will be paid at or prior to closing of the Interim Loan. *Any changes to this allocation of the equity injection will require Lender approval and could delay closing of the Interim Loan. Proof of equity must be provided five days prior to estimated closing date. Proof of equity must be supported by, but not limited to, cancelled checks (or a copy of the check and supporting bank statements reflecting the cancelled check), paid invoices, a cashier's check for funds not yet spent, or other means as determined only by Lender.*

**Fees:** Fees and closing costs for all the above-mentioned loans approximating \$161,000 are part of the total project. That consists of estimated closing costs of \$25,000, a loan origination fee of \$76,000, and the franchise fee of \$60,000. This is only an estimate of fees and may not be inclusive of all fees charged for the Interim Loan and the Loan. Portions of these fees are due at the time this Conditional Approval letter is signed. The remaining closing costs will be due at closing and are the responsibility of the Borrowers. If the Interim Loan and/or the Loan are prepared for closing and does not close, a portion of these fees may still be due and payable to Lender or there may be amounts that have not been spent and which would be refunded. In the event that the Loan does not close, all costs and fees, to the extent they have been incurred, will be the responsibility of the Borrower.

#### **LENDER (MATRIX) CONVENTIONAL LOAN**

**Amount:** The amount of the Loan will be \$3,000,000.

**Term:** The maturity of the Loan will be twenty-five (25) years from the closing of the Loan. The Loan will be amortized over a twenty-five (25) year term after completion of 12 months of interest-only payments. Payment terms are interest-only for the first 12 months and then principal and interest payments due monthly based upon a twenty-five (25) year amortization period.

**Interest Rate (Loan):** The interest rate on the Loan will fluctuate based on the "Prime Rate", as published in the Wall Street Journal, plus 1.25%. The interest rate at the current prime rate of 4.75% would be 6.00% per year. The initial prime rate is set five (5) days prior to closing of the Loan.

**Rate Adjustment Period:** Lender will adjust the interest rate for the first time on the first day of the calendar quarter following the initial disbursement of the Loan and on the first day of each calendar quarter thereafter. All dates of adjustment become effective on the first day of

the calendar quarter, based on the prime rate in effect for the first business day of the adjustment period. The change in interest rate is effective on that day whether or not Lender gives Borrower notice of the change.

**Payment:** The payments are estimated at **\$19,472** per month during the amortized period. The principal and interest payments on the Loan will be calculated based upon the prevailing Prime Rate + 1.25% at the time the Loan's amortization period begins (12 months after closing of the Loan). The payment may go up or down, no more frequently than quarterly, based on the remaining principal balance and the interest rate, as needed to amortize principal over the remaining term of the Loan. The first payment will be due on the fifth day of the month after the Loan is closed and on the same day each month thereafter until paid in full.

Lender will apply each installment payment first to pay interest accrued to the day Lender receives the payment, then to bring principal current, then to pay any late fees, and will apply any remaining balance to reduce principal.

**Prepayment Penalty:** The Loan is subject to a five (5) year flat prepayment penalty of five percent. (5%)

**Late Fee:** If a payment on the Loan is more than 10 days late, Lender may charge Borrower a late fee of up to 5% of the unpaid portion of the regularly scheduled payment.

## **HUD SECTION 108 LOAN**

**NOTE:** The following information regarding the HUD Loan is provided for informational purposes only. The terms and conditions associated with the HUD Loan will be disclosed at the time the HUD Loan is approved by the appropriate approval authority for HUD and funding is committed.

**Amount:** The amount of the HUD Loan will be \$3,560,000.

**Term:** The maturity of the HUD Loan will be twenty-five (25) years from the closing of the HUD Loan. The HUD Loan will be amortized over a twenty-five (25) year term.

**Interest Rate (Loan):** The interest rate on the Loan will be disclosed upon approval by the appropriate approval authority for HUD. For purposes of analysis, a fixed rate of 5.50% has been assumed.

**Rate Adjustment Period:** The interest rate for the HUD Loan is estimated to be a fixed rate for the full term of the HUD Loan. The fixed rate will be determined when the funds for the HUD Loan have been committed.

**Payment:** The principal and interest payment on the Loan is estimated to be **\$16,317** per month on an interest-only basis. The payment terms on the HUD Loan are anticipated to be interest-only for at least the first two years, after which the HUD Loan will begin monthly principal and interest payments based upon the amortization period set for the HUD Loan

(anticipated at this time to be twenty-five (25) years). The payment may go up or down based on the remaining principal balance and the interest rate, as needed to amortize principal over the remaining term of the HUD Loan. The first payment will be due on the fifth day of the month after interest-only period has matured and will continue thereafter on the same day each month thereafter until paid in full.

The HUD Loan Lender will apply each installment payment first to pay interest accrued to the day HUD Loan Lender receives the payment, then to bring principal current, then to pay any late fees, and will apply any remaining balance to reduce principal.

**Prepayment Penalty:** To be determined by the HUD Loan Lender.

**Late Fee:** To be determined by the HUD Loan Lender.

**LOAN CONDITIONS:** The Loans are subject to and contingent upon the following:

**Collateral:**

**LENDER CONVENTIONAL LOAN**

- Lender being able to secure a First Deed of Trust (or its equivalent) in the real property, including furniture and fixtures, located at 339 East Yakima Avenue, Yakima, WA.
- Receipt, review, and approval, by Lender, at its sole discretion, of the real estate appraisal reflecting a value of at least \$9,000,000 (+/-5%) by a Lender-approved appraiser for the real property and FF&E located at 339 East Yakima Avenue, Yakima, WA.
- Receipt, review and approval of an ALTA title policy (or its equivalent) in form and substance satisfactory to Lender its sole discretion, insuring Lender as to its first priority lien on the subject property at 339 East Yakima Avenue, Yakima, WA.
- Lender being able to secure a UCC-1 and Security Agreement perfecting a 1st lien position in all fixtures, equipment, inventory, accounts, general intangibles, chattel paper, documents, and instruments now owned and hereafter acquired for the business assets of the Hilton Garden Inn.
- Review and approval by Lender of a satisfactory Phase I Environmental Site Assessment for the property located at 339 East Yakima Avenue, Yakima, WA.
- Personal guaranty of Joseph R. Morrier, Sr.
- Personal guaranty of Elizabeth L. Morrier.

- Personal guaranty of Joseph R. Morrier, Jr.
- Personal guaranty of Michael D. Morrier.
- Personal guaranty of Elizabeth A. McGree.
- Personal guaranties of the spouses, if any, of Joseph R. Morrier, Jr., Michael D. Morrier, and Elizabeth A. McGree if required by legal counsel since Washington is a community property state.
- Assignment of the leases and rents between JEM Properties, LLC, as Lessor, and Morrier Hotel, LLC, as Lessee. The lease must be for at least the term of the loan, including options exercisable by Morrier Hotel, LLC.
- Assignment of the parking rights for the proposed Hilton Garden Inn held by JEM Properties, LLC and/or Morrier Hotel, LLC. The number of parking spaces and the parking rights must comply with the requirements set forth by the City of Yakima.
- Assignment of the management contract between Morrier Hotel, LLC and Hilton Hotels (or its designated affiliated company) for the management of the proposed Hilton Garden Inn. The management agreement must have a termination provision allowing Lender to terminate the contract if the loan were in default.

**Insurance:**

- The Borrower obtaining and providing proof of Workers' Compensation Insurance in an amount meeting state law requirements and with an insurance company satisfactory to Lender.
- Lender receiving a copy, satisfactory in its own discretion, of the fire and extended coverage on the business real property is required in the amount of full replacement cost with Lender named as first mortgagee for the property at 339 East Yakima Avenue, Yakima, WA.
- The Borrower obtaining and providing proof of Business/Personal property insurance coverage is required in the amount of full replacement cost, or for the maximum insurable amount if full replacement value cannot be obtained, for the personal property located at 339 East Yakima Avenue, Yakima, WA.

- Lender receiving proof of Dram Shop/Host liquor liability insurance in an amount and from an insurance company acceptable to Lender.
- The Borrower obtaining and providing proof of Business Interruption and Extra Expense coverage.
- Lender will advise you as to whether the business property or personal residences are in a Flood Plain. If so, then Flood insurance covering the Loan collateral will be required prior to closing of the Loan.

**Financials:**

- Receipt, review and approval of financial statements and all supporting schedules, as requested, are to be within 120 days of closing the Loan. The approval for all loans addressed in this Conditional Approval Letter is contingent upon receipt and review of the 2003 tax returns for all entities involved, as well as the fiscal year end statements for those entities having a September 30 fiscal year end.

**Documentation:**

- Lender being supplied with proof of purchase of the required liquor license prior to closing.
- Lender will require that all payments on the Loan to be made through Automatic Funds Transfer (ACH debit).
- Franchise approval from the Franchisor.
- Copy of the lease between JEM Properties, LLC and Morrier Hotel, LLC for the real property to be occupied by the proposed Hilton Garden Inn. Lease must be for at least the term of the Loan, including options exercisable by Morrier Hotel, LLC.
- Landlord's consent and/or landlord's consent to improvements.
- Copy of the parking agreement providing parking rights to JEM Properties, LLC and/or Morrier Hotel, LLC for the parking to meet the requirements set forth by the City of Yakima.
- If applicable, copies of the A/R and A/P listings and agings for all entities. The A/R and A/P listings and agings must be of even date with the most recent financial statements provided to Lender.

- Copy of the HUD commitment to fund \$3,560,000 of the project cost at the origination of construction.
- Review and approval of the \$2,966,000 equity injection by the principals to the proposed transaction.
- Copies of the restructured notes extended by Key Bank to Yakima Mall Shopping Center Corporation showing the actual terms of the debt restructuring are substantially the same as provided verbally by the Key Bank Loan Office handling the transaction.

**Other Conditions:** The Loan is subject to any and all other conditions required by HUD, HUD Loan Lender, and Lender and its counsel to document, secure, and close the proposed financing request. All conditions are required to be satisfied prior to funding of the Loan.

**Special Condition:** The Loan is subject to Lender obtaining tax credits under the New Markets Tax Credits Program. If the tax credits are not obtainable by Lender, this Conditional Approval Letter is null and void.

#### **HUD SECTION 108 LOAN**

**NOTE:** This information is provided for informational purposes only. Lender assumes that the HUD Loan Lender will require a second lien position in the real property and business assets of JEM Properties, LLC and Morrier Hotel, LLC, which may not be the case. The HUD Loan Lender will advise you of the conditions of approval for the HUD Loan in a separate Conditional Approval Letter upon approval by them.

- HUD Loan Lender being able to secure a Second Deed of Trust (or its equivalent) in the real property, including furniture and fixtures, located at 339 East Yakima Avenue, Yakima, WA, subject only to the First Deed of Trust in favor of Lender in the amount of \$3,000,000.
- Receipt, review, and approval, by HUD Loan Lender at its sole discretion, of the real estate appraisal ordered by Lender, reflecting a value of at least \$9,000,000 by a Lender-approved appraiser for the real property and FF&E located at 339 East Yakima Avenue, Yakima, WA.
- Receipt, review and approval of an ALTA title policy (or its equivalent) in form and substance satisfactory to HUD Loan Lender in its sole discretion, insuring HUD Loan Lender as to its

second priority lien on the subject property at 339 East Yakima Avenue, Yakima, WA, subject only to Lender's first lien position.

- HUD Loan Lender being able to secure a UCC-1 and Security Agreement perfecting a second lien position in all fixtures, equipment, inventory, accounts, general intangibles, chattel paper, documents, and instruments now owned and hereafter for the proposed Hilton Garden Inn.
- Review and approval by HUD Loan Lender of a satisfactory Phase I Environmental Site Assessment for the property located at 339 East Yakima Avenue, Yakima, WA.
- Personal guaranty of Joseph R. Morrier, Sr.
- Personal guaranty of Elizabeth L. Morrier.
- Personal guaranty of Joseph R. Morrier, Jr.
- Personal guaranty of Michael D. Morrier.
- Personal guaranty of Elizabeth A. McGree.
- Personal guaranties of the spouses, if any, of Joseph R. Morrier, Jr., Michael D. Morrier, and Elizabeth A. McGree if required by legal counsel since Washington is a community property state.
- Assignment of the leases and rents between JEM Properties, LLC, as Lessor, and Morrier Hotel, LLC, as Lessee. The lease must be for at least the term of the loan, including options exercisable by Morrier Hotel, LLC.
- Assignment of the parking rights for the proposed Hilton Garden Inn held by JEM Properties, LLC and/or Morrier Hotel, LLC. The number of parking spaces and the parking rights must comply with the requirements set forth by the City of Yakima.
- Assignment of the management contract between Morrier Hotel, LLC and Hilton Hotels (or its designated affiliated company) for the management of the proposed Hilton Garden Inn. The management agreement must have a termination provision allowing Lender to terminate the contract if the loan were in default.

**Insurance:**

- The Borrower obtaining and providing proof of Workers' Compensation Insurance in an amount meeting state law



requirements and with an insurance company satisfactory to HUD Loan Lender.

- HUD Loan Lender receiving a copy, satisfactory in its own discretion, of the fire and extended coverage on the business real property is required in the amount of full replacement cost with HUD Loan Lender named as second mortgagee for the property at 339 East Yakima Avenue, Yakima, WA.
- The Borrower obtaining and providing proof of Business/Personal property insurance coverage is required in the amount of full replacement cost, or for the maximum insurable value if full replacement cost cannot be obtained, for the personal property located owned by JEM Properties, LLC and/or Morrier Hotel, LLC dba Hilton Garden Inn.
- The Borrower obtaining and providing proof of Business Interruption and Extra Expense coverage.
- HUD Loan Lender will advise you as to whether the business property or personal residences are in a Flood Plain. If so, then Flood insurance covering the Loan collateral will be required prior to closing of the HUD Loan.

**Financials:**

- Receipt, review and approval of financial statements and all supporting schedules, as requested, are to be within 120 days of closing the HUD Loan. **The approval for all loans addressed in this Conditional Approval Letter is contingent upon receipt and review of the 2003 tax returns for all entities involved, as well as the fiscal year end statements for those entities having a September 30 fiscal year end.**

**Documentation:**

- As determined by HUD Loan Lender.

**Other Conditions:**

**This loan is subject to any and all other conditions required by the HUD, HUD Loan Lender, Lender and its counsel to document, secure, and close the proposed financing request. All conditions are required to be satisfied prior to funding of the HUD Loan.**

**(3) INTERIM LOAN:**

Lender proposes to provide to JEM Properties, LLC and Morrier Hotel, LLC as Co-Borrowers ("Borrower") an Interim Loan to fund the project through Certificate of Occupancy. Terms are provided below:

**Loan Amount:** \$3,000,000 broken down as follows:

Land and existing building	\$ 1,500,000
Construction, including contingency	6,172,000
FF&E	945,000
Construction Softcosts	244,000
Interest Reserves	132,000
Appraisal, Environmental, Survey	22,000
Origination/Monitoring/Closing Costs	126,000
Bonding Estimate	60,000
Property Management Systems	75,000
Working Capital, Franchise Fee, Legal	250,000
Total	\$9,526,000
Less: HUD Loan & Equity Injection *	6,526,000
Total	\$3,000,000

\*See "Equity Injection" section page 1 for additional information regarding equity injection.

**Interest Rate:** Prime plus 1.25%, currently 6.00%, variable rate adjustable daily.

Interest will be computed on the basis of a 360-day year for the actual number of days elapsed.

**Payments:** Interest only payments due monthly during construction through an interest reserve account.

**Term:** 12 months.

**Prepayment and Exit Fee:** The Borrower may prepay the Interim Loan at anytime subject to an exit fee of \$150,000 (5% of the loan amount) Should the Borrower accept the permanent financing offered through Lender as substantially contemplated in this letter, this exit fee will be waived.

**Collateral:** The loan is subject to the Lender securing its loan with a First Deed of Trust on Borrower's interest in the land and buildings to be constructed at 339 East Yakima Avenue, Yakima, WA.

Receipt, review and approval of an ALTA title policy (or its equivalent) in form and substance satisfactory to Lender its sole discretion, insuring Lender as to its first priority lien on the subject property at 339 East Yakima Avenue, Yakima, WA.

Lender being able to secure a UCC-1 and Security Agreement perfecting a 1st lien position in all fixtures, equipment, inventory, accounts, general intangibles, chattel paper, documents, and instruments now owned and hereafter acquired for the business assets of the Hilton Garden Inn.

UCC-1 and Security Agreement perfecting a 1<sup>st</sup> lien position in all collateral - fixtures, equipment, inventory, accounts, general intangibles, chattel paper, documents, materials, work in progress, and instruments now owned and hereafter acquired.

Receipt, review, and approval, by Lender, at its sole discretion, of the real estate appraisal reflecting a value of at least \$9,000,000 (+/-5%) by a Lender-approved appraiser for the real property and FF&E located at 339 East Yakima Avenue, Yakima, WA.

Review and approval by Lender of a satisfactory Phase I Environmental Site Assessment for the property located at 339 East Yakima Avenue, Yakima, WA.

Personal guaranty of Joseph R. Morrier, Sr.

Personal guaranty of Elizabeth L. Morrier.

Personal guaranty of Joseph R. Morrier, Jr.

Personal guaranty of Michael D. Morrier.

Personal guaranty of Elizabeth A. McGree.

Personal guaranties of the spouses, if any, of Joseph R. Morrier, Jr., Michael D. Morrier, and Elizabeth A. McGree if required by legal counsel since Washington is a community property state.

Assignment of the leases and rents between JEM Properties, LLC, as Lessor, and Morrier Hotel, LLC, as Lessee. The lease must be for at least the term of the loan, including options exercisable by Morrier Hotel, LLC.

Assignment of the parking rights for the proposed Hilton Garden Inn held by JEM Properties, LLC and/or Morrier Hotel, LLC. The number of parking spaces and the parking rights must comply with the requirements set forth by the City of Yakima.

Assignment of the management contract between Morrier Hotel, LLC and Hilton Hotels (or its designated affiliated company) for the management of the proposed Hilton Garden Inn. The management agreement must have a termination provision allowing Lender to terminate the contract if the loan were in default.

**Monitoring Fee:** \$25,000 (estimated)

**Construction Bonding:** \$60,000 (estimated)

**Origination Fee:** \$76,000

**Contractor**

**Information:**

- 1) AIA Qualification Statement
- 2) Final detail cost information for the construction on the subject property.
- 3) Contractor financial statements
- 4) Other information as required on attached closing needs list

**Survey:**

A copy of the property Survey for 339 East Yakima Avenue, Yakima, WA.

The final terms of the Interim Loan are subject to approval by Lender and HUD. The Interim Loan must be closed in compliance with all requirements set forth by HUD. All legal and financial documents deemed necessary by Lender in order to close the Interim Loan must be provided and executed to the satisfaction of any or all of the parties listed above prior to closing of the Interim Loan.

**GENERAL NOTES:**

**Required Documents:** As mentioned above, Lender's Loan Committee has granted its Conditional Approval of the Interim Loan and the Loan. The final approval of the Loan Committee and Lender's commitment to extend credit and advance funds under the Interim Loan and the Loan will be contingent upon, **among other things**, Lender's review and approval of each and every one of the items detailed herein, none of which may be waived except in writing from an authorized representative of Lender, specifically referring to this letter and the particular item being waived. This letter is not intended to set forth all of the material terms and conditions for the Interim Loan and the Loan, all of which will be set forth in formal loan documents to be executed and delivered by Borrower, Lender, HUD (if necessary), third party guarantors and others, as applicable. In addition, if (and only if) the Interim Loan and the Loan are approved by Lender, the funding of the Interim Loan and the Loan will be contingent upon Lender's receipt (some if not all of which Lender will require) of the following: (a) evidence of no environmental hazards on the property through a Phase 1 or other means acceptable to Lender, and (b) title insurance with endorsements required by Lender. All of the aforementioned items shall be provided to Lender in a reasonably prompt manner. Lender will have the right to terminate this Conditional Approval in the event that any of the above items are unsatisfactory to Lender.

**Conditional Approval:** Please be aware that the final terms and conditions of the proposed financing **are subject to approval by the Lender and HUD**. Also, all legal and financial documents deemed necessary by Lender in order to close the Interim Loan and the Loan must be provided and executed to the satisfaction of any or all of the parties listed above. No verbal statements to Borrower concerning this application by any employee or agent of Lender shall have binding effect.

**Lender's Conditional Approval is only applicable if the HUD Section 108 Loan materializes and the Interim Loan and the Loan qualify for the New Markets Tax Credits. In the absence of either of the above-mentioned conditions materializing, Lender's Conditional Approval of the Loan is null and void.**

The Borrower provided the information used in granting this Conditional Approval in majority. If such information is found to be a misrepresentation, intentional or unintentional, this Conditional Approval shall become null and void. Any legal description, encumbrances and ownership are subject to verification and should not be relied upon as accurate in this Conditional Approval.

**Material Adverse Change:** If at any time there is a material adverse change in the financial or any other condition, or the business prospects, of Borrower or any Guarantor, Lender will have no obligation to advance any funds whatsoever.

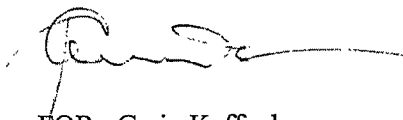
To indicate your understanding and agreement with the terms and conditions contained in this Conditional Approval, please return an executed copy of this Conditional Approval to Lender, along with your check for **\$23,000** for payment of the \$1,000 Lender Loan Packaging Fee, which is earned upon issuance of this Conditional Approval Letter, and a \$22,000 deposit toward payment of the estimated costs of an appraisal, environmental report, and survey for the Interim Loan and the Loan.

**Upon execution of this Conditional Approval Letter and by signing below, Borrower acknowledges and agrees that this Conditional Approval Letter shall also constitute an authenticated record pursuant to the Uniform Commercial Code authorizing Lender to file a UCC-1 financing statement covering the following collateral: furniture, fixtures, equipment, machinery, inventory, accounts, general intangibles, chattel paper, documents, materials, work in progress, and instruments now owned and hereafter acquired. Lender further agrees to terminate such financing statement in the event the Loan is not closed and funded**

This Conditional Approval is valid until October 15, 2004. If this acknowledged letter is not received by October 15, 2004 Matrix will have no further obligation or responsibility in connection with the Loans, and the Conditional Approval will be considered null and void. Furthermore, if the Interim Loan does not close by January 15, 2005, this Conditional Approval Letter will be considered null and void, unless extended in writing by Lender.

If you have any questions, please contact us. We look forward to working with you further and thank you for the opportunity to be of service to your business.

Respectfully,



FOR: Craig Kaffenberger  
SBA Chief Operations Officer  
Matrix Capital Bank

**THIS COMMITMENT SUPERCEDES AND VOIDS ANY PRIOR LOAN APPROVALS,  
COMMITMENTS OR PROPOSALS.**

**JEM Properties, LLC**

Elizabeth M. McFree 10-13-04  
Managing Member Date

**Morrier Hotel, LLC**

Joseph R. Morrier, Sr. 10-13-04  
Managing Member Date

**Guarantors**

Joseph R. Morrier, Sr.  
Joseph R. Morrier, Sr. Date

\_\_\_\_\_  
Elizabeth L. Morrier Date

\_\_\_\_\_  
Joseph R. Morrier, Jr. Date

\_\_\_\_\_  
Michael D. Morrier Date

\_\_\_\_\_  
Elizabeth A. McGree Date