# Letter of agreement to Guarantee Construction Loan

<your name>

<date>

<name>

Dear <name>,

**Re: construction loan guarantee for Southside Cottages.**

This nonbinding letter of agreement outlines a framework for a loan guarantee provided by <name> (Guarantor) for <project name> (the Project). <your name> is the Manager of the Project.

## summary

Guarantor will receive a tax-sheltered fee to guarantee the construction financing to construct the first phase of the Project.

## Details

1. Fee Basis
	1. Guarantor’s fee will be set at 2% of the Project’s construction loan.
	2. Construction loan is estimated at <estimated construction debt>.
	3. Fee is estimated at <2% of construction debt>. This number will be adjusted up or down according to the final loan value when construction is completed.
2. Distributions
	1. Guarantor’s fee will be distributed over the first two years after construction.
	2. Guarantor’s fee is first in the annual distribution order.
3. Depreciation Allocation
	1. The entire fee will be sheltered from tax liability by the depreciation of the Project.
4. Financial Disclosure
	1. Guarantor’s financial information will be exchanged directly with prospective lending institutions, who shall sign non-disclosure agreements.
	2. No other parties, including Managing Principal, will have access to Guarantor’s financial information.
5. Transferability
	1. This agreement shall be transferable to an LLC set up to capitalize and manage the project in which Matthew Petty is a Principal.

## Attachments

* Project Packet

This letter is being executed by Guarantor and the Project’s Manager. Parties understand this nonbinding letter will be used to secure a construction loan.

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