

SPLIT INTEREST NOTE

Installment payments of principal and interest in the amount of \$ _____ each, payable monthly, commencing one month from date of Note. Balance of principal and accrued interest to be paid on or before _____ years from date of Note. All payments shall be applied first to interest accrued to date of receipt, and the balance, if any, to principal. If the monthly installment is not sufficient to bring interest current to the date of the payment, an additional amount necessary to cover interest expense shall be due and payable at the time of such payment.

Interest on the SBA guaranteed portion of the loan at the fixed rate of _____ percent per annum on _____ percent of the loan and the variable on the portion of the loan not guaranteed by the SBA per the following on _____ percent of the loan.

The monthly payment of principal and interest applicable to the guaranteed portion shall be \$ _____ and the initial monthly payment of principal and interest applicable to the non-guaranteed portion shall be \$ _____.

The initial interest rate on the non-guaranteed portion of this loan shall be _____ percent per annum. The "interest rate spread" shall be _____ percent per annum. The first business day of each _____ shall constitute a "change date." "Prime rate" shall be the low New York prime lending rate as published in a daily national financial newspaper.

On each successive change date, commencing with the change date occurring not less than the first business day of the month following first disbursement of the loan, the interest rate shall increase or decrease to a percentage per annum equal to the sum of the interest rate spread and the prime rate in effect on such change date.

Holder should give written notice to the Undersigned of each increase or decrease in the interest rate within thirty days after the effective date of each rate adjustment; however, the fluctuation of the interest rate is not contingent on whether the notice is given.

SPLIT RATE LOANS

Lenders and borrowers may be interested in loans that have a fixed rate guaranteed portion and a variable rate unguaranteed portion. This can be an attractive loan for lenders because the guaranteed portion may be sold, leaving the lender with an asset that has a market sensitive yield. This is an attractive loan for borrowers because the loan payment remains stable even with substantial changes in the prime rate. It is long term fixed rate financing.

This appendix contains a copy of a note used in one state (Illinois) for split rate loans and a copy of the SBA Opinion Digest opinion which states that such loans may be made within the existing SBA regulations.