

“SET-ASIDE LETTER” FORMAT

(To be prepared on lenders letterhead)

FINANCIAL PACIFIC INSURANCE COMPANY

3850 Atherton Rd.

Rocklin, California 95765

Date: _____

Re: _____

Principal(s) on Bond(s)

Obligee

Tract

Gentlemen:

We have agreed to make construction loans covering _____ units in Tract _____, County of _____ to _____ (Borrowers)

In consideration of the execution by Financial Pacific Insurance Company of bond(s) in the amount of \$ _____ on behalf of _____ (Principal on Bond(s)), we agree upon recordation to set aside from the construction funds a sum in the amount of your bond(s) to be used in paying for those off site improvements in this tract guaranteed to the Obligee under the terms of the subdivision bond(s).

The escrow covering this project will provide that as the work progresses, these funds will be disbursed under our voucher system, supported by invoices and releases, to cover costs of those off site improvements and for no other purposes.

The undersigned, _____ (Lender), agrees that said funds are for the benefit of the Surety Company in connection with the Surety’s liability under the above bonds. In the event _____ (Principal) fails(s) to complete and pay for said off site improvements, all funds remaining in said impound account shall be immediately available to complete and pay for the cost of said improvements. The said Surety shall not in any way be obligated to repay said funds so used.

This is an irrevocable commitment of funds which is not subject to recall by _____ (Lender).

We acknowledge, accept, and agree to comply with the foregoing conditions:

Name of Lender

By: _____

Principal

By: _____

Date: _____

Date: _____