



December 10, 2024

RE: Deerfield Properties, LLC

Current Situation:

- Deerfield Properties has an existing property improvement line of credit with PremierBank, secured by a first mortgage on the property located at 118 N Water Street, Watertown, which was originated in December 2021.
- Deerfield Properties requested an increase of \$50,000 to support future projects. To avoid refinancing the original mortgage, PremierBank approved filing an additional mortgage of \$50,000, making the total line of credit \$450,000.

Watertown Redevelopment Authority (RDA):

- During underwriting, it was discovered that the Watertown Redevelopment Authority (RDA) holds a second mortgage on the same property.
- PremierBank, however, will not allow the \$50,000 increase to be secured by a third-position mortgage. This is because lenders typically want to have a higher priority claim on the property in the event of default. The presence of a second mortgage complicates this situation.

Request for Subordination:

- To proceed with the \$50,000 increase, PremierBank and Deerfield Properties are seeking a subordination agreement from the RDA.
- Subordination means that the RDA would agree to take a lower priority in the event of a foreclosure or liquidation of the property. In essence, the RDA would agree to subordinate its second-position mortgage to the new third mortgage that PremierBank would hold for the \$50,000 increase.

If the RDA agrees to the subordination, the priority of liens would be:

- PremierBank's original first mortgage (at the highest priority),
- PremierBank's additional \$50,000 mortgage (now in the second position),
- RDA's second mortgage would be in the third position.

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