Hypertext links lead to the approximate location of the text on the page.

Index to 504
Appendix A
Appendix B
Appendix C
Appendix D

U.S. Small Business Administration

National 504 Authorization Boilerplate

Version 2006

October 1, 2005

Read this first!

About this document

This document contains version 2006 of the National 504 Authorization Boilerplate ("Boilerplate"). The Boilerplate contains the mandatory national standard language for SBA 504 Authorizations for 504 loans.

About the "504 Wizard"

The 504 Wizard, sometimes referred to as "Wizard," was automated using Microsoft Word and has been designed to run in Word Word 2002 (10). The Wizard is compatible to a limited degree with Word 97 (8), Word 2000 (9), and Word 2003 (11). SBA cannot effectively support compatibility issues relating to versions of Word other than Word 2002 (10).

SBA upgraded to Word 2002 (10) during 2002. Version "2006" of the 504 Wizard is programmed in Visual Basic for Applications (VBA). Changes to the Wizard and Boilerplate are outlined in the **What's new in this version?** section below.

Together, the Boilerplate and the Wizard constitute the "Authorization." The 504 Wizard is a technical tool intended to make it easier to create authorizations based on the Boilerplate. It is not an expert system with lots of checks and balances. Use of the 504 Wizard or any other automation tool does not release CDCs from their responsibility to ensure that the authorizations they create comply with the Boilerplate.

Below is the list of 504 Wizard sections with their location in the Boilerplate:

1. For 504 Wizard users: Loan Information section starts here... 1
2. For 504 Wizard users: Project Information section starts here... 3
3. For 504 Wizard users: Collateral Conditions section starts here... 11
4. For 504 Wizard users: Additional Conditions (Part I) starts here... 14
5. For 504 Wizard users: Additional Conditions (Part II) starts here... 21
6. For 504 Wizard users: Signature Block section starts here... 30

Getting the latest version of the Authorization

The latest version of the Authorization can be obtained from the SBA web site at http://www.sba.gov/banking or from any local SBA Office.

Format Conventions

All comments, references and instructions in the sections titled "Boilerplate" and "Appendix A" are located in shaded areas (gray or blue shade). All non-shaded areas in these two sections and Appendix A constitute the standardized text itself.

Text appearing in brackets [ ] must be completed, for instance:
[Name]—must be replaced by a name in the final authorization;
[Amount]—must be replaced by a $ amount;
[OPTION—This sentence is optional**]**—Optional text—can be inserted or not;
[SELECT—this text**—OR—**that text**]**—User must select one of the available options;
[SELECT—First, Second, Third, Fourth, Fifth**]**—User must select one of the listed items;
[Write Your Own]—User can insert own text

Paragraphs will be renumbered depending on which options are selected. All other comments should be self-explanatory.

What's new in this version?

This section highlights the major differences between the Boilerplate and Wizard version 2004.2 (released October 22, 2004) and this version, version 2006 of the Boilerplate and Wizard. Extensive revisions were made to the underlying code in this version. This listing of changes can also be found during operation of the Wizard in the "What's New" section of the 504 Wizard Help topics, which is available from the 504 Wizard menu.

Overall Code Review

The following areas have been reviewed and code modified to eliminate bugs or improve operation, if necessary:

- Project Information
- Collateral Conditions
- Additional Conditions I and II

Loan Information, Project Information, Collateral Conditions, Additional Conditions I and Additional Conditions II

Code has been modified to require that *initially* each section be completed in the proper order. That is, Loan Information must be completed before Project Information, and Project Information must be completed before Collateral Conditions. This change was made to assure Wizard events occur in the proper sequence. Remember that modifications to one section can affect the values in subsequent sections. All sections **should** be cycled through if substantive changes are made to the Loan Information or Project Information sections.

Loan Information Section

- If the loan is a PCLP loan, click the "Name and title of person signing on behalf of CDC (PCLP Loans only)" option and type the name and title. The SBA signator option will not appear for PCLP loans. This option and name and title may be set as a default by the user.
- The SBA Sacramento Loan Processing Center is set as the default as all 504 loans are now processed at this office.

- On page 2 under Loan Information, the 504 Loan has been defined as "the Loan":

  from: "… used to fund the 504 Loan to assist:"

  to: "… used to fund a 504 Loan ("the Loan") to assist:".
- All remaining instances of "504 Loan" were changed to "the Loan". "504 Loan Closing" remains a defined term and has not been changed.

Project Information Section

- The ongoing guarantee fee has been set to a default of 0.192, effective October 1, 2005. This value can be modified by the user when advised by SBA that there is a change in the ongoing guarantee fee.
- The sentence, "Confirms that the Third Party Lender Loan has been fully advanced;" has been reinserted into the Permanent Third Party Lender Loan paragraphs, as 4.c.(1), as follows:

  "4. Permanent Third Party Lender Loan**:**

  c. At or prior to 504 Loan Closing, Third Party Lender must execute a Third Party Lender Agreement that:

  (1) Confirms that the Third Party Lender Loan has been fully advanced;"
- Form 793, Notice to New Borrowers has been eliminated and has been removed from Certifications and Agreements paragraph 9.b.(3), which now reads as follows:

  "(3) **Equal Opportunity—**Post SBA Form 722, Equal Opportunity Poster, where it is clearly visible to employees, applicants for employment and the general public."
- Form 793, Notice to New Borrowers, has also been removed from Debenture Sales Provisions, paragraph F.3.g., the list of required forms.
- The Wizard panel for the net debenture amount now automatically calculates the net debenture amount. In addition, if the “net debenture proceeds” is manually changed in the panel, the Wizard will perform a reverse calculation of the SBA/CDC percentage.
- The Wizard automatically recalculates the Third Party Lender amount in the event Total Project Costs are modified by the user, but only when the panel shows a Third Party Lender percentage that is not "0.00".
- The Wizard panel for SBA/CDC percentage now limits the percentage to a maximum of 40%.
- Problems with entering multiple Interim Lenders have been resolved.
- Problems with the Appraisal section panels have been resolved.

Additional Conditions II, Certifications and Agreements

- The Wizard panel, above the option "Furnish xxx statements to CDC …" has been changed from "Environmental" to "Books and Records"
- Occupancy checkbox problems have been resolved.

Collateral Conditions, various

- The Missouri Mandatory state-specific provision was appearing when not necessary in some instances. This has been corrected.
- In addition, the Missouri Mandatory provision was incomplete. The phrase "Guarantees and other Credit Agreements as defined by the Statute" has been added. The provision now begins:

  "**Missouri Mandatory Provision**—CDC shall comply with Section 432.047 RSMO by adding the following language in boldface ten point type to the Note, Guarantees and other Credit Agreements as defined by the Statute:"
- The above modification was also made to the Project Information section, **C. The Note**, paragraph 13.
- Where ALTA insurance is an option, the ALTA insurance amount now defaults to the net debenture amount. This amount may be adjusted as necessary.

Signature Block, Acceptance by Borrower, Operating Company and CDC

The second paragraph in the acceptance block, which read:

> "CDC, Borrower and Operating Company must confirm their receipt of these terms and conditions by signing this Authorization and returning it to this District Office within ten (10) days after receiving it."

Has been changed to read:

> "CDC, Borrower and Operating Company must confirm their receipt of these terms and conditions by signing this Authorization within ten (10) days after receiving it. The signed Authorization must be submitted to SBA with the closing documents."

Collateral Conditions, Leasehold Security Interest in Building on Leased Land

The following prior lien options have been added to the Leasehold Security Interest in Building on Leased Land collateral condition (See Appendix A):

The following must appear if junior lien position.

a. Subject only to prior lien(s) as follows:

(1) First: **[name of lienholder] [SELECT -** in the amount of $**[amount] - OR -** in the present amount of $**[amount]**, with a revolving provision limited to a total principal outstanding of $**[amount]]**.

(2) Second: **[name of lienholder] [SELECT -** in the amount of $**[amount] - OR -** in the present amount of $**[amount]**, with a revolving provision limited to a total principal outstanding of $**[amount]]**.

(3) **[etc., up to four]**.

Collateral Conditions, C. Security Interests (Appendix A, C.1.e)

To accommodate the change of requirements for listing collateral announced in SBA Notice 5000-962, paragraph C.1.e. has been modified from:

The following paragraph must appear if equipment or fixtures is selected above

e. Lender must obtain a list of all equipment and fixtures that are collateral for the Loan. For items with a unit value of $500 or more, the list must include a description and serial number, if applicable.

to:

The following paragraph must appear if equipment or fixtures is selected above

e. Lender must obtain a list of all equipment and fixtures that are collateral for the Loan. For items with a unit value of $5,000 or more, the list must include a description and serial number, if applicable.

Appendix B, State-specific Options in the Standard Collateral Conditions

The Iowa state-specific options included option "(8) Survey, certified to Lender, is required, or prior survey and affidavit of no change acceptable to Lender."

This option has been removed as the use of surveys is *not* standard practice in Iowa, and this provision is *not* used on loan authorizations in Iowa.

Operational Reminders:

- Names and addresses may be saved by right-clicking in any textbox after initial entry. Names and addresses may be retrieved by right-clicking in an empty textbox.
- Assure that the Windows in Taskbar option is turned off (Tools | Options | Windows in Taskbar -- uncheck).
- Please review the Wizard Settings Fact Sheet (WizardFacts.doc), available on the 504 Wizard website and located in your templates directory after installation, for recommended optimal Word settings.

More Information

See **Appendix C** at the end of this document for a list of Frequently Asked Questions.

Boilerplate

For 504 Wizard users: The 504 Wizard will perform all required calculations.

For 504 Wizard users: Loan Information section starts here...

U.S. Small Business Administration

AUTHORIZATION FOR DEBENTURE GUARANTEE (SBA 504 LOAN)

SBA Loan Information (MANDATORY)

The SBA LOAN NAME is the **first available** of this list:
1. dba of the Operating Company
2. name of the Operating Company
3. dba of the Borrower
4. name of the Borrower

In the case of multiple Borrowers or Operating Companies, the same rule is applied using the **first** Borrower or Operating Company listed by the Loan Officer.

For 504 Wizard users: The 504 Wizard automatically selects the SBA Loan Name based on the Borrower and Operating Information provided.

SBA Loan #	**[SBA Loan Number]**
SBA Loan Name	**[SBA Loan Name]**
Approval Date	**[Approval Date]**

CDC / SBA Information (MANDATORY)

CFR 120.10—Definition of Authorization states that the Authorization is not a contract to make a loan. The Authorization is not a Loan Agreement. It is intended to provide the CDC with the specific conditions which must be met for SBA to provide a guarantee of the Debenture.

SOP 50-10(4), pg. 483-484, Subpart "H", Chapter 20—Preparing the loan Authorization.

CDC:

[CDC's Name]
[Address]
[City, State Zip]

U. S. Small Business Administration (SBA):

[SBA Office's Name]
[Address]
[City, State Zip]

General Loan information (MANDATORY)

SBA will guarantee, under the following terms and conditions, a **[10 or 20]** year Debenture ("Debenture") in the amount of $**[Same amount as calculated in B.1.c]** to be issued by CDC and used to fund a 504 Loan (the "Loan") to assist:

Borrower and Operating Company information (MANDATORY)

CFR 120.111 / SOP 50-10(4), pg. 45through 50-2, Subpart "A", Chapter 2, Paragraph 9—Operating company must be a Co-Borrower if loan proceeds are used to purchase assets to be owned directly by the Operating Company. If not a Co-Borrower, Operating Company must be a Guarantor. If the Loan is made to an Eligible Passive Company (EPC), there can only be one EPC Borrower, but there can be multiple Operating Companies (OC) as Co-Borrowers or Guarantors. If several individuals hold the property leased to the OC as joint tenants or tenants in common, then each individual must be listed separately, but they are considered together to be one EPC.

Borrower: **[OPTION–**(EPC)**]**

1. **[Name 1] [OPTION–**dba **[DBA Name]]**
   [Address]
   [City, State Zip]
2. **[Name 2] [OPTION–**dba **[DBA Name]]**
   [Address]
   [City, State Zip]
3. **[etc.]**

[OPTION–Operating Company

1. **[Name 1] [OPTION–**(Co-Borrower) **]**
   [OPTION–dba **[DBA Name]]**
   [Address]
   [City, State, Zip]
2. **[Name 2] [OPTION–**(Co-Borrower) **]**
   [OPTION–dba **[DBA Name]]**
   [Address]
   [City, State, Zip]
3. **[etc.]]**

PROJECT TO BE FINANCED (MANDATORY)

CFR 120.800, 120.801, 120.802—Purpose, how a 504 Project is financed and definitions; 120.860, 120.861, 120.862, 120.870, 120.871, 120.880, 120.881—Project objectives, leasing policies and eligibility; 120.882—Eligible Project costs; 120.884—Ineligible costs; 120.900—Sources of permanent financing.

SOP 50-10(4), pg. 362-364, Subpart "H", Chapter 1—Purpose of the program, including how a 504 Project is financed; pg. 417-420-1, Subpart "H", Chapter 10—Project economic development goals; pg. 421 - 432, Subpart "H", Chapter 11—Eligible and ineligible 504 Projects, including leasing policies specific to 504 loans under Subpart "H" in addition to Subpart "A"; pg. 439-446-2, Subpart "H", Chapter 13, Paragraph 1—Sources of permanent financing.

A. PROJECT TO BE FINANCED

1. **Project Property ("Project Property")**

   Debenture Proceeds will be used as part of the financing for :

   The 2 following paragraphs (a and b) can be repeated as needed

   a. the **[SELECT 1 or more as applicable–**Purchase, lease, improvement, renovation**]** of real estate **[SELECT–**, described as **[Description]–OR/AND–**, located at **[Location]**, **[City]**, **[State]]**.

   b. the **[SELECT 1 or more as applicable–**Purchase, lease, installation**]** of equipment **[SELECT–**, described as **[Description]–OR/AND–**, located at **[Location]**, **[City]**, **[State]]**.

2. **Project Costs ("Project Costs")** include:

   a. Purchase Land $**[Amount]**

   b. Purchase Land & Building $**[Amount]**

   c. Construction/Remodeling $**[Amount]**

   d. Purchase/Install Equipment $**[Amount]**

   e. Purchase/Install Fixtures $**[Amount]**

   f. Professional Fees $**[Amount]**

   g. Other Expenses $**[Amount]**
   (construction contingencies, interim interest)

   h. *TOTAL Project Cost* *$***[Total]**

PROJECT FINANCING (MANDATORY)

CFR 120.801—How a 504 Project is financed; 120.882—Eligible Project costs; 120.883—Eligible administrative costs; 120.884—Ineligible costs; 120.950-120.955—Debenture sales and service agents.

SOP 50-10(4), pg. 430 - 431-2, Subpart "H", Chapter 11, Paragraphs 12 and 13—eligible and ineligible costs; pg. 479-482, Subpart "H", Chapter 19—Pricing a Debenture; pg. 484, Subpart "H", Chapter 20, Paragraph 4—Authorization disbursement period; pg. 485-486, Subpart "H", Chapter 21, Debenture sales and service agents. Notice 5000-892-Eligible Project Cost, Administrative Costs and Fees; Notice 5000- : Reduced Underwriters Fee, new calculation

B. PROJECT FINANCING

Debenture Proceeds (MANDATORY)

1. **Debenture Proceeds**: Debenture Proceeds will be used to pay Administrative Costs and the final **[(a. / Total Project Cost) * 100, rounded to 2 decimal values]**% of the total Project Cost. Prior to the Debenture sale, the CDC conducts a 504 Loan closing ("504 Loan Closing") and forwards the closing documents to SBA. After review and approval, SBA forwards the closing documents for Debenture sale. At or prior to the 504 Loan Closing, Borrower, Operating Company and CDC must sign a Servicing Agent Agreement certifying as to the actual use of the Debenture Proceeds and authorizing a Central Servicing Agent ("CSA") to handle all disbursements and payments under the Debenture.

a.	SBA/CDC Share **[(a. / Total Project Cost) * 100, rounded to 2 decimal values]**% of Total Project Cost ("Net Debenture Proceeds")		$**[Amount]**
b.	Administrative Costs ("Administrative Costs")		
	(1) SBA Guarantee Fee (a. x .005)		$**[a. * 0.005]**
	(2) Funding Fee (a. x 0.0025)		$**[a. * 0.0025]**
	(3) CDC Processing Fee (a. x 0.015)		$**[a. * 0.015]**
	(4) Closing Costs		
	(i) CDC Closing Fee (not to exceed $2,500)	$**[Amount]**	$**[b.4(i) + b.4(ii)]**
	(ii) Other Out of Pocket Closing Costs (excluding legal fees)	$**[Amount]**	
	(5) Subtotal (b.1 through b.4)		$**[b.1.+b.2.+b.3.+b.4]**
	(6) Underwriters Fee*		$**[see note *]**
	(7) Total (b.5 plus b.6)		$**[b.5. + b.6.]**
c.	Total Debenture Amount ("Gross Debenture Proceeds") (a. Plus b.7, rounded up to next thousand)		$**[a. + b.7, rounded up to next thousand]**
d.	Balance to Borrower (c. minus (a. plus b.7))		$**[c. - (a. + b.7)]**

* *Underwriters fee calculated as follows: For 20 year Debentures, the sum of a. and b.5 divided by 0.99600; round this number up to the next highest thousand; multiply this number by 0.00400. For 10 year Debentures, the sum of a. and b.5 divided by 0.99625; round this number up to the next highest thousand; multiply this number by 0.00375.*

e. **Disbursement:** CDC must issue a Debenture and the Debenture Proceeds must be disbursed no later than 12 months from the approval date of this Authorization, unless CDC or SBA extends the time in writing.

Interim Financing / Escrow Closing (MANDATORY)

Select one and only one of the 2 following options

Interim Financing (option 1) is the default option. Escrow Closing (option 2) may only be used when a project is to acquire an existing facility and SBA is not requiring Interim Financing.

OPTION 1—Interim Financing (paid off by the Debenture)

The Interim Financing amount that is specified in this option is **only** the amount to be paid off with Debenture proceeds.

CFR 120.890—Source of interim financing; 120.891—Certification of disbursement; 120.892—Certification of no adverse change.

SOP 50-10(4), pg. 433-438, Subpart "H", Chapter 12, Paragraph 2—Sources of interim financing; Paragraph 3—Certifications required to close the Debenture; and Paragraph 4—When interim financing is not required; pg. 427-429, Subpart "H", Chapter 11, Paragraph 9—Expenditures made in advance of 504 loan processing; and Paragraph 10—Bridge financing.

2. **Interim Financing (paid off by the Debenture)**:

a. **Interim Lender**: An interim loan in the total principal amount of $**[Same amount as SBA/CDC Share in B.1.a]** will be provided by the following lender(s) ("Interim Lender"):

(1) **[Interim Lender 1]** in the principal amount of $**[Interim Loan Amount 1]**.

(2) **[Interim Lender 2]** in the principal amount of $**[Interim Loan Amount 2]**.

(3) **[Etc.]**

Note: The following paragraph contains a reference to paragraph B.4.a. The Wizard will automatically correct this reference in the final document. If you are not using the Wizard, you must update the final document to refer to the proper paragraph number.

b. **Application of Net Debenture Proceeds to Interim Loan**: Upon sale of the Debenture, the Net Debenture Proceeds (the portion of Debenture Proceeds that finance Project Cost) will be applied to pay off the balance of the interim loan. If the Interim Lender is also the Third Party Lender, this payment will reduce the total balance owed to Third Party Lender to the amount specified in Paragraph B.4.a. below.

c. **Required Certifications Before 504 Loan Closing**: Following completion of the Project, CDC must cause Interim Lender to certify the amount of the interim loan disbursed, that the interim loan has been disbursed in reasonable compliance with this Authorization, and that it has no knowledge of any unremedied substantial adverse change in the condition of the Borrower and Operating Company since the date of the loan application to the Interim Lender.

OPTION 2—Escrow Closing

SOP 50-10(4), pg. 438, Subpart H, Chapter 12, Paragraph 4.—Rules when Interim Financing is not required.

3. **Escrow Closing (No Interim Financing)**:

The project will not require interim financing. The following will be required for an escrow closing:

a. Escrow Account:

(1) SBA must approve the escrow agreement. Escrow agent must be approved by CDC and SBA and follow escrow instructions provided by CDC and SBA.

(2) Debenture sale funds must be wired directly into the escrow account.

(3) The funds in escrow may not be distributed and the escrow account may not be dissolved until SBA is satisfied that all collateral documents have been properly filed, lien positions properly perfected, and a final title policy (or other evidence of title if no title policy is required) issued showing required title and lien position.

(4) The escrow must close no later than 5 months from the date of the Debenture sale. If it doesn't the escrow funds will be used to pay off the Debenture in full.

(5) Borrower must deposit an additional 10% of the total project costs. This deposit must be in cash or an irrevocable Letter of Credit.

b. Borrower must agree in writing:

(1) That the required deposit must be used to make up any deficiency in the escrow account due to costs associated with the Debenture sale;

(2) To pay all costs of prepaying the Debenture if any lien position required by this Authorization is not perfected in a reasonable time (not over 5 months) after disbursement of Debenture proceeds including:

(a) Costs associated with the Debenture sale including the CDC processing fee, CSA fee, CDC attorney fee/closing costs, SBA guaranty fee, funding fee, and underwriter's fee.

(b) The cost of prepaying a Debenture including the prepayment premium and 6 months worth of interest on the original Debenture amount.

Permanent Third Party Lender Loan (MANDATORY)

CFR 120.920—First lien position; 120.921—Terms; 120.922—Pre-existing debt on the Project Property; 120.923—Policies on subordination; 120.925—Preferences; 120.926—Referral fee.

SOP 50-10(4), pg. 439-462, Subpart "H", Chapter 13—Policies governing the sources of project financing, Paragraph 3.g. (Page 455), Pre-existing debt on the Project Property.

4. **Permanent Third Party Lender Loan**:

a. **`[Third Party Lender]`** ("Third Party Lender") will provide permanent project financing in the amount of $**`[Third Party Lender Loan Amount]`** ("Third Party Lender Loan"). This amount is **`[(Third Party Lender Loan / Total Project Cost) * 100, rounded to 2 decimal values]`**% of the total project cost.

Pre-Existing non-project debt—Use the following option when you incorporate pre-existing debt into the Third Party Lender mortgage. This is also called "wrap-around" financing.

[OPTION—In addition to this amount, the Third Party Lender mortgage will include a pre-existing non-project debt in the amount of $**[Amount]**. **]**

b. The Third Party Lender's note and loan documents must not:

(1) allow future advances except advances made for the reasonable costs of collection, maintenance, and protection of the Third Party Lender's lien;

(2) be cross-collateralized with other financing provided by Third Party Lender;

(3) have an early call feature;

(4) be payable on demand unless the Third Party Lender's note is in default;

(5) have a term less than, or require a balloon payment prior to, **[SELECT—**seven years **(if 10-year Debenture)—OR—** ten years **(if 20-year Debenture)]**.

c. At or prior to 504 Loan Closing, Third Party Lender must execute a Third Party Lender Agreement that:

(1) Confirms that the Third Party Lender Loan has been fully advanced;

(2) Confirms that the Third Party Lender note and loan documents comply with paragraph b. above, or waives its right to enforce any provisions in the note and loan documents that do not comply with these SBA requirements;

(3) Subordinates any prepayment penalties, late fees, and increased default interest to the CDC/SBA lien. Any advances made for the reasonable costs of collection, maintenance, and protection of the Third Party Lender's lien need not be subordinated;

(4) Waives as to the CDC/SBA lien any provisions in its lien instruments prohibiting further encumbrances; and

(5) Third Party Lender will provide written notice to CDC and SBA of default within 30 days of any delinquency upon which Third Party Lender intends to take action, and 60 days notice prior to foreclosure.

d. **Third Party Lender Fee**. SBA must collect a one-time Third Party Lender Participation fee equal to 50 basis points on the Third Party Lender's participation in a project when the Third Party Lender is in a senior credit position to SBA on the project. SBA may accept payment of this fee from the Third Party Lender, the 504 borrower, or the CDC. This payment may be made to SBA by (1) the Third Party Lender sending to the CDC a certified check or guaranteed funds check made payable to the CSA, and CDC forwarding it to the CSA with the 504 Loan Closing documentation, or (2) the CDC may collect the fee and the CSA will deduct the amount of the fee from the amount sent to the CDC after Debenture sale.

Borrower's Contribution (MANDATORY)

CFR 120.910, 120.911, 120.912, 120.913—Borrower's contribution; 120.923—Policies on subordination.

SOP 50-10(4), pg. 439-458, Subpart "H", Chapter 13, Paragraph 1—Sources of permanent financing, including 1996 changes to borrower's contribution; Paragraph 2—Borrower's contribution; and Paragraph 3—Rules governing third party loans; pg. 467, Subpart "H", Chapter 14, Paragraph 7—Minimum equity injection for new business.

5. **Borrower's Contribution** ("Borrower's Contribution"):

   a. At or prior to 504 Loan Closing, Borrower must contribute $**[Borrower's Contribution Amount = Total project cost–(SBA/CDC Share + Third Party Lender Loan Amount)]** to the Project. This amount is **[(Borrower's Contribution Amount / Total Project Cost) * 100, rounded to 2 decimal values]**% of the total project cost.

      (1) Contribution may be in cash, land or other property acceptable to SBA;

      (2) Contribution may come from Borrower's own resources, CDC, or another source;

      (3) If any of the contribution is borrowed and secured by any of the Project Property, the resulting obligation must be expressly subordinate to the liens securing the Promissory Note ("Note") in favor of CDC and may not be repaid at a faster rate than the Note unless prior written approval is obtained from SBA. A copy of any debt instrument evidencing the obligation must be supplied to CDC at or prior to 504 Loan Closing.

   b. **Costs in Excess of Project Cost**: Borrower must pay any costs in excess of the total Project Cost referred to in Paragraph A.2 which Borrower incurs in completing the Project.

   c. **Closing Costs**: At or prior to 504 Loan Closing, Borrower must pay all closing costs, including but not limited to title insurance premiums, recording costs, and premiums for insurance required by this Authorization.

Borrower's Fees (MANDATORY)

CFR 120.971—Allowable fees paid by borrower.

6. **Borrower's Fees** ("Borrower's Fees")—Borrower must pay:

   a. An ongoing guarantee fee equal to **[Value - Default is 0.192]** of one percent per annum of the principal balance of the Note calculated at five year intervals beginning with the first payment. This guarantee fee will be made until the loan is terminated. It will be included with the payment on the Note made each month to the CSA.

   b. A servicing fee, as stated on the Servicing Agent Agreement at the time of 504 Loan Closing, calculated on the outstanding principal balance at 5-year intervals. The fee will be included in the monthly loan installment paid to the CSA.

   c. A late fee of 5 percent of the late payment or $100.00, whichever is greater, for payments received by the CSA after the 15th day of the month.

CDC Fees (MANDATORY)

CFR 120.971—Allowable fees paid by borrower.

SOP 50-10(4), pg. 503-509, Subpart "H", Chapter 23—Allowable fees.

7. **CDC Fee**—CDC must pay an ongoing guarantee fee equal to one-eighth of one percent per annum of the principal balance of the Note calculated on the balance outstanding at five-year intervals. It will be deducted from the servicing fee collected monthly by the CSA for the CDC. The CDC will retain a minimum servicing fee as required by SBA regulations and policies.

THE NOTE (MANDATORY)

CFR 120.930, 120.931—504 loan percentage of total project, minimum and maximum lending limits; 120.932, 120.933—Interest rate and maturity; 120.936—Subordination to CDC; 120.937—Assumption; 120.938—Default; 120.940—Prepayment.

SOP 50-10(4), pg. 458-462, Subpart "H", Chapter 13, Paragraph 4—Rules governing 504 loans and Debentures.

C. **THE NOTE**

At or prior to 504 Loan Closing, the Borrower must execute a Note in favor of CDC. The CDC must assign the Note to SBA. Borrower must make payments by Automated Clearinghouse (ACH) or wire transfer.

The Note and Debenture will include the following terms:

1. **Amount**: $**[Same amount as calculated in B.1.c]**
2. **Term**: **[Same term as specified on page 2]** years
3. **Repayment Terms**: At the date the Debenture is sold, the interest rate will be set and the amount of the monthly principal and interest installment for the term of the Note and the semi-annual principal and interest installment for the term of the Debenture will be established.
4. **Prepayment**: If Borrower prepays during the first half of the stated term, there will be a prepayment premium, calculated by applying a declining percentage of the Debenture interest rate to the outstanding principal balance of the Note. A schedule of the dollar amount of the premium will be provided after the sale of the Debenture.

   The Borrower may prepay the Note or Lease in full. Partial prepayment is not allowed. Borrower must pay the sum of:
   a. all principal and interest payments, servicing-agent fees, and SBA guarantee fees up to and including the date of the next semi-annual debenture payment date;
   b. all CDC servicing fees that accrue before Borrower prepays;
   c. all late fees incurred before Borrower prepays;
   d. all expenses incurred by CDC for which Borrower is responsible;
   e. the balance owing on the Note as of the next semi-annual debenture payment date; and
   f. any prepayment premium required under the Note and Debenture.

   To prepay, Borrower must give the CDC at least 45 days prior written notice. At least 10 days before the prepayment date, Borrower must wire a deposit of $1,000 to the Servicing Agent. If the Borrower prepays, the Servicing Agent will apply the deposit to the prepayment. If Borrower does not prepay, the deposit is forfeited. The prepayment must take place on the third

Thursday of the month. If the third Thursday of the month is not a business day, the payment must be made on the next business day.

STATE SPECIFIC LANGUAGE

For 504 Wizard users: the following paragraphs are automatically inserted by the 504 Wizard as appropriate.

The following must appear when lien securing the Note is on residential property located in California

5. CDC must include in the Note the following language for residential property located in California securing the Note:

   "Borrower acknowledges this Note is secured by a Deed of Trust in favor of CDC on real property located in_____ County, State of California. That Deed of Trust contains the following due-on-sale provision:…" (CDC must add to the Note the due on sale clause exactly as it appears in the Deed of Trust.)

The following must appear if any borrower is resident of Alaska

6. The following language must appear in the Note above the borrower's signature :

   "The Mortgagor or Trustor (Borrower) is personally obligated and fully liable for the amount due under the Note. The Mortgagee or Beneficiary (CDC) has the right to sue on the Note and obtain a personal judgment against the Mortgagor or Trustor for the satisfaction of the amount due under the Note either before or after a judicial foreclosure of the Mortgage or Deed of Trust as under AS 09.45.170-09.45.220."

The following must appear if any borrower is resident of Wisconsin

7. CDC must include in the Note the following language:

   "Each Borrower who is married represents that this obligation is incurred in the interest of his or her marriage or family."

The following must appear if any borrower is resident of Maryland

8. CDC must include valid confession of judgment clauses in the Note for borrower(s) resident in Maryland.

The following must appear if any borrower is resident of Virginia

9. CDC must include valid confession of judgment clauses in the Note for borrower(s) resident in Virginia.

The following must appear if any borrower is resident of Pennsylvania

10. CDC, at its option, may include confession of judgment clauses in the Note for borrower(s) resident in Pennsylvania.

The following must appear if any borrower is resident of Delaware

11. CDC, at its option, may include confession of judgment clauses in the Note for borrower(s) resident in Delaware.

The following must appear if any borrower is resident of Ohio

12. CDC, at its option, may include confession of judgment clauses (cognovit judgment provisions) in the Note for borrower(s) resident in Ohio.

The following must appear if any borrower is resident of Missouri

13. CDC shall comply with Section 432.047 RSMO by adding the following language in boldface ten point type to the Note, Guarantees and other Credit Agreements as defined by the Statute:

    "Oral agreements or commitments to loan money, extend credit or to forbear from enforcing repayment of a debt including promises to extend or renew such debt are not enforceable, regardless of the legal theory upon which it is based that is in any way related to the credit agreement. To protect you (Borrowers(s)) and us (Creditor) from misunderstanding or disappointment, any agreements we reach covering such matters are contained in this writing, which is the complete and exclusive statement of the agreement between us, except as we may later agree in writing to modify it."

For 504 Wizard users: Collateral Conditions section starts here...

CFR 120.934—CDC/SBA generally takes junior lien position on Project collateral; sometimes secondary collateral required.

SOP 50-10(4), pg. 463-468, Subpart "H", Chapter 14—Collateral. Notice 5000-889Limited liens on secondary collateral.

D. COLLATERAL CONDITIONS

The Note must be secured by the following collateral. All collateral must be assigned to SBA. CDC must obtain a lien on 100% of the interests in the following collateral and properly perfect all lien positions:

Create as many collateral conditions as needed.

IMPORTANT—READ THIS FIRST!

This document offers an extensive choice of standard Collateral Conditions.
Refer to Appendix A for the full boilerplate text of these Collateral Conditions.
You can also write your own collateral conditions if the standard list does not offer the appropriate option.

1. **[Insert first Collateral Condition here]**

2. **[Insert second Collateral Condition here]**

3. **[Etc.—Insert as many Collateral Conditions as needed]**

The following Collateral Condition must appear if borrower is an EPC

SOP 50-10(4), pg. 45 - 50-2, Subpart "A", Chapter 2, Paragraph 9—EPC requirements.

4. **Assignment of Rents from Eligible Passive Company**. CDC must obtain a perfected assignment of all rents paid under the lease on the Project Property between the Eligible Passive Company and the Operating Company. The term of lease, with options to renew exercisable

solely by the Operating Company, must be for at least the term of the Loan. The lease must be subordinate to CDC's Security Interest, Deed of Trust or Mortgage. Lease payments must be no more than is necessary to amortize debt plus pay expenses related to holding the property.

The following paragraphs must always appear

Assignment to SBA. CDC must execute a satisfactory written assignment to SBA of its interest in the Note, lease and all collateral documents executed by the Borrower and guarantors.

13 CFR 101.106, Federal Law application to SBA programs & activities.

The following language must appear in all lien instruments including Mortgages, Deeds of Trust, and Security Agreements:

"The Loan secured by this lien was made under a United States Small Business Administration (SBA) nationwide program which uses tax dollars to assist small business owners. If the United States is seeking to enforce this document, then under SBA regulations:

a) When SBA is the holder of the Note, this document and all documents evidencing or securing this Loan will be construed in accordance with federal law.

b) CDC or SBA may use local or state procedures for purposes such as filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using these procedures, SBA does not waive any federal immunity from local or state control, penalty, tax or liability. No Borrower or Guarantor may claim or assert against SBA any local or state law to deny any obligation of Borrower, or defeat any claim of SBA with respect to this Loan.

Any clause in this document requiring arbitration is not enforceable when SBA is the holder of the Note secured by this instrument."

For 504 Wizard users: the following paragraphs are automatically inserted by the 504 Wizard as appropriate.

The following paragraphs must appear if any Borrower or any real estate is located in California

California Mandatory Provision—The following language must appear in all guarantees if any borrower or any real estate is located in California :

"Guarantor waives its rights of subrogation, reimbursement, indemnification, and contribution and any other rights and defenses that are or may become available to the guarantor by reason of California Civil Code Sections 2787 to 2855, inclusive.

The guarantor waives all rights and defenses that the guarantor may have because the debtor's debt is secured by real property. This means, among other things:

(1) The creditor may collect from the guarantor without first foreclosing on any real or personal property collateral pledged by the debtor.

(2) If the creditor forecloses on any real property collateral pledged by the debtor:

(A) The amount of the debt may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price.

(B) The creditor may collect from the guarantor even if the creditor, by foreclosing on the real property collateral, has destroyed any right the guarantor may have to collect from the debtor.

This is an unconditional and irrevocable waiver of any rights and defenses the guarantor may have because the debtor's debt is secured by real property. These rights and defenses include, but are not limited to, any rights or defenses based upon Section 580a, 580b, 580d, or 726 of the Code of Civil Procedure.

The guarantor waives all rights and defenses arising out of an election of remedies by the creditor, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for a guaranteed obligation, has destroyed the guarantor's rights of subrogation and reimbursement against the principal by the operation of Section 580d of the Code of Civil Procedure or otherwise."

If Guarantee is secured by Deed of Trust on residential property in California, CDC must also include in the guarantee the following language:

"Guarantor acknowledges that this Guarantee is secured by a Deed of Trust in favor of CDC On real property located in _____ County, California. That Deed of Trust contains the following due-on-sale provision:…" (CDC must add to the Guarantee the due on sale clause exactly as it appears in the Deed of Trust.)

The following paragraphs must appear if a guarantee is to be signed by a resident of Arizona

Arizona Mandatory Provision—The following language must appear in all guarantees (SBA Form 148) signed by Arizona residents:

"The undersigned waives any rights it may have pursuant to ARS Section 12-1641 et seq., and agrees pursuant to ARS Section 33-814 that the obligations of the undersigned may be enforced regardless of whether or not any Trustee's sale of security for this debt is held."

The following paragraphs must appear if a guarantee is to be signed by a resident of Wisconsin

Wisconsin Mandatory Provision—The following language must appear in all guarantees (SBA Form 148) signed by Wisconsin residents:

'Each Guarantor who is married represents that this obligation is incurred in the interest of his or her marriage or family."

The following paragraph will appear if a guarantee is to be signed by a resident of Maryland

Maryland Mandatory Provision—CDC must include valid confession of judgment clauses in guarantees signed by Maryland residents.

The following paragraph will appear if a guarantee is to be signed by a resident of Virginia

Virginia Mandatory Provision—CDC must include valid confession of judgment clauses in guarantees signed by Virginia residents.

The following paragraph will appear if a guarantee is to be signed by a resident of Missouri

Missouri Mandatory Provision---CDC shall comply with Section 432.047 RSMO by adding the following language in boldface ten point type to the Note, Guarantees and other Credit Agreements as defined by the Statute:

"Oral agreements or commitments to loan money, extend credit or to forbear from enforcing repayment of a debt including promises to extend or renew such debt are not enforceable, regardless of the legal theory upon which it is based that is in any way related to the credit agreement. To protect you (Borrowers(s)) and us (Creditor) from misunderstanding or disappointment, any agreements we reach covering such matters are contained in this writing, which is the complete and exclusive statement of the agreement between us, except as we may later agree in writing to modify it."

For 504 Wizard users: Additional Conditions (Part I) starts here...

E. ADDITIONAL CONDITIONS

INSURANCE REQUIREMENTS (MANDATORY)

CFR 120.934—All collateral must be insured against such hazards and risks as SBA may require, with provisions for notice to SBA and the CDC in the event of impending lapse of coverage; 120.970—Servicing of 504 loans and Debentures.

SOP 50-10(4), pg. 463-468, Subpart "H", Chapter 14, Paragraph 1—Collateral policy.

1. **Insurance Requirements**

Prior to 504 Loan Closing, CDC must require Borrower to obtain the following insurance coverage and maintain this coverage for the life of Loan:

Flood Insurance (MANDATORY if collateral taken)

SOP50-10(4), pg. 106-109, Subpart "A", Chapter 5, Paragraph 6(b)—SBA Flood Insurance Requirements. Note: The SBA will require flood insurance on personal property collateral even when the real estate where the property is located is not collateral but is in a flood zone.

a. **Flood Insurance.** If FEMA Form 81-93 reveals that any portion of the real property, equipment, fixtures or inventory that is collateral for the loan is located in a special flood hazard zone, CDC must require Borrower to obtain Federal flood insurance, or other appropriate special hazard insurance, in amounts equal to the lesser of the insurable value of the property or the maximum limit of coverage available. Insurance coverage must contain a MORTGAGEE CLAUSE/LENDER'S LOSS PAYABLE CLAUSE (or substantial equivalent) in favor of CDC and SBA. (Borrower will be ineligible for any future SBA disaster assistance or business loan assistance if Borrower does not maintain any required flood insurance for the entire term of the Loan.)

Real Estate Hazard Insurance (MANDATORY if real estate collateral)

13 CFR 120.160(c)/SOP 50-10(4), pg. 105, Subpart "A", Chapter 5, Paragraph 4—SBA Policy on Hazard Insurance.

b. **Real Estate Hazard Insurance** coverage on all **[OPTION–**business**]** real estate that is collateral for the Loan in the amount of the full replacement cost. If full replacement cost insurance is not available, coverage should be for maximum insurable value. Insurance coverage must contain a MORTGAGEE CLAUSE (or substantial equivalent) in favor of CDC and SBA. This clause must provide that any act or neglect of the mortgagor or owner of the insured property will not invalidate the interest of CDC and SBA. The policy or endorsements must provide for at least 10 days prior written notice to CDC of policy cancellation.

Personal Property Hazard Insurance (MANDATORY if personal property collateral)

13 CFR 120.160(c)/SOP 50-10(4), pg. 105, Subpart "A", Chapter 5, Paragraph 4—SBA Policy on Hazard Insurance.

c. **Personal Property Hazard Insurance** coverage on all equipment, fixtures or inventory that is collateral for the Loan, in the amount of full replacement costs. If full replacement cost insurance is not available, coverage should be for maximum insurable value. Insurance coverage must contain a LENDER'S LOSS PAYABLE CLAUSE in favor of CDC and SBA. This clause must provide that any act or neglect of the debtor or owner of the insured property will not invalidate the interest of CDC and SBA. The policy or endorsements must provide for at least 10 days prior written notice to CDC of policy cancellation.

Full Marine Insurance (MANDATORY if applicable)

d. **Full Marine Insurance** coverage in the amount of the full insurable value on the following vessel(s) : **[List of insured Vessels]**; with CDC and SBA designated as "Mortgagee". The policy must contain a Mortgagee clause providing that the interest of CDC and SBA will not be invalidated by any: (1) act, omission, or negligence of the mortgagor, owner, master, agent or crew of the insured vessel; (2) failure to comply with any warranty or condition out of mortgagee's control; or (3) change in title, ownership or management of the vessel. The policy must include Protection and Indemnity, Breach of Warranty, and Pollution coverage. The policy or endorsements must provide for at least 10 days prior written notice to CDC of policy cancellation.

Life Insurance (OPTIONAL)

SOP 50-10(4), pg. 94, Subpart "A", Chapter 4, Paragraph 1.h.(10)—SBA Life & Disability Insurance Requirements. See also pg. 113-114, Subpart "A", Chapter 6, Paragraph 6.g.

e. **Life Insurance**, satisfactory to CDC**:**

(1) on the life of **[Name of Individual]** in the amount of $**[Amount]**.

(2) on the life of **[Name of Individual]** in the amount of $**[Amount]**.

(3) **[add more if needed]**

CDC must obtain a collateral assignment of each policy with CDC and SBA as assignees. CDC must also obtain acknowledgment of the assignment by the Home Office of the Insurer.

Liability Insurance (OPTIONAL)

f. **Liability Insurance** in an amount and with an insurance company satisfactory to CDC.

Product Liability Insurance (OPTIONAL)

g. **Product Liability Insurance** in an amount and with an insurance company satisfactory to CDC.

Dram Shop/Host Liquor Liability Insurance (OPTIONAL)

h. **Dram Shop/Host Liquor Liability Insurance** in an amount and with an insurance company satisfactory to CDC.

Malpractice Insurance (OPTIONAL)

i. **Malpractice Insurance** in an amount and with an insurance company satisfactory to CDC.

Disability Insurance (OPTIONAL)

SOP 50-10(4), pg. 94, Subpart "A", Chapter 4, Paragraph 1.h.(10)—SBA Life & Disability Insurance Requirements See also pg. 113-114, Subpart "A", Chapter 6, Paragraph 6.g.

j. **Disability Insurance** covering **[Names of Individuals]** in an amount and with an insurance company satisfactory to CDC.

Workers' Compensation Insurance (OPTIONAL)

k. **Workers' Compensation Insurance** in an amount meeting state law requirements and with an insurance company satisfactory to CDC.

State Specific Insurance (OPTIONAL)

l. **[SELECT or Write your own—State Specific insurance requirement, such as** Florida Petroleum Liability Insurance (FLIRP)**]**

Insurance Requirements—Open Options (Can be used to add other Insurance Requirements as needed)

ENVIRONMENTAL REQUIREMENTS (MANDATORY if commercial real property is Project Property or Primary Collateral)

SOP 50-10(4), pg. 118, Subpart "A", Chapter 5, Paragraph 7(b)(10) – Primary Collateral Definition; pg. 115 - 128-2, Subpart "A", Chapter 5, Paragraph 7—SBA Environmental Policy
All references to SOP 50-10(4) include successor SOP provisions.

2. **Environmental Requirements**

a. CDC must not close the Loan until it has:

(1) completed the review for potential environmental contamination required in SOP 50 10(4) ("Environmental Investigation") on each business real property site that is:

(a) acquired or improved with proceeds from the Loan, or

(b) taken as collateral if the site represents over 50% of the value of all collateral securing the Loan; and

(2) sufficiently minimized the risk from any adverse environmental findings discovered in the Environmental Investigation, or otherwise, as required by SOP 50 10(4), Subpart A, Chapter 5, Paragraph 7 (Environmental Conditions).

Insert the following paragraph (b) when CDC did not submit the results of the Environmental Investigation.

b. Immediately after CDC review, the CDC must submit the results of the Environmental Investigation to the SBA office listed above for SBA approval prior to 504 Loan Closing. If CDC or SBA determines from the Environmental Investigation that there is potential environmental contamination, CDC may not forward the Debenture until SBA is satisfied that the risk has been sufficiently minimized. Adverse environmental findings may lead to cancellation of this Authorization.

c. CDC should consult with the local SBA office where the real property is located to ascertain any state or local environmental requirements.

Environmental Requirements—Open Options (Can be used to create Environmental Requirements as needed)

NOTE : If the Environmental Investigation submitted with the application reveals risks of environmental contamination, and there is a reasonable expectation that any environmental issue can be resolved under the guidelines of SOP 50-10(4), the Loan Officer, in consultation with counsel, should use this section to add Authorization conditions based on the SOP guidelines.

BORROWER, GUARANTOR AND OPERATING COMPANY DOCUMENTS (MANDATORY)

3. **Borrower, Guarantor and Operating Company Documents**

The following paragraphs must always appear

a. Prior to 504 Loan Closing, CDC must obtain from Borrower, Guarantor and Operating Company a current copy of each of the following as appropriate:

(1) **Corporate Documents**—Articles or Certificate of Incorporation (with amendments), any By-laws, Certificate of Good Standing (or equivalent),

Corporate Borrowing Resolution, and, if a foreign corporation, current authority to do business within this state.

(2) **Limited Liability Company (LLC) Documents**—Articles of Organization (with amendments), Fact Statement or Certificate of Existence, Operating Agreement, Borrowing Resolution, and evidence of registration with the appropriate authority.

(3) **General Partnership Documents**—Partnership Agreement, Certificate as to Partners, and Certificate of Partnership or Good Standing (or equivalent), as applicable.

(4) **Limited Partnership Documents**—Partnership Agreement, Certificate as to Partners, and Certificate of Partnership or Good Standing (or equivalent), as applicable, Certificate of Limited Partnership, and evidence of registration with the appropriate authority.

(5) **Limited Liability Partnership (LLP) Documents**—Partnership Agreement, Certificate as to Partners, Certificate of Partnership or Good Standing (or equivalent) as applicable, and evidence of registration with the appropriate authority.

(6) **Trustee Certification**—A Certificate from the trustee warranting that:

(a) The trust will not be revoked or substantially amended for the term of the Loan without the consent of SBA;

(b) The trustee has authority to act;

(c) The trust has the authority to borrow funds, guarantee loans, and pledge trust assets;

(d) If the trust is an Eligible Passive Company, the trustee has authority to lease the property to the Operating Company;

(e) There is nothing in the trust agreement that would prevent CDC from realizing on any security interest in trust assets;

(f) The trust agreement has specific language confirming the above; and

(g) The trustee has provided and will continue to provide SBA with a true and complete list of all trustors and donors.

(7) **Trade Name**—Documentation that Borrower has complied with state requirements for registration of Borrower's or Operating Company's trade name (or fictitious name), if one is used.

b. Prior to 504 Loan Closing, CDC must obtain from Borrower and Operating Company:

(1) **Ownership**—Evidence that ownership and management have not changed without CDC's approval since the application was submitted.

Paragraphs (2) to (8) are optional

Note: Paragraph (4), (5), (6), (7) and (8) may be repeated if necessary

(2) **Purchase-Sale Agreement**—Executed Purchase-Sale Agreement **[OPTION–**(to include satisfactory non-compete agreement)**]**.

(3) **Bulk Sales or Transfer**—Evidence that seller has complied with Bulk Sales or Transfer provisions of state law, if applicable, or has arranged to protect Borrower's purchased assets from claims of seller's creditors.

(4) **Non-Compete—**Evidence that **[Principal's Name]** does not have a Non-Compete Contract with **[Competitor's Name]**.

(5) **Subordinate Funding—**Evidence that Borrower has received the proceeds of a loan from **[Name]** in the amount of $**[Amount]**, for a term of not less than **[Term]** years. This loan must be subordinate to the Loan.

(6) **Other Funding (loan)—**Evidence that Borrower has received the proceeds of a loan from **[Name]** in the amount of $**[Amount]**, for a term of not less than **[Term]** years.

(7) **Other Funding (grant or gift)—**Evidence that Borrower has received the proceeds of a grant or a gift from **[Name]** in the amount of $**[Amount]**.

(8) **Other Funding (line of credit)—**Evidence that Borrower has received access to a line of credit from **[Name]** in the amount of $**[Amount]**.

Borrower and OC documents—Open Options (Can be used to add other Borrower and OC documents as needed)

OPERATING INFORMATION (MANDATORY)

4. **Operating Information**

Prior to 504 Loan Closing, CDC must obtain:

Verification of Financial Information (MANDATORY)

SOP Reference: 50-10(4), pg. 153 - 156-2, Subpart "A", Chapter 6, Paragraph 4.f.; Information Notice 5000-908—Form 4506-T with SBA Logo required.SOP 50-10(4), pg. 195-199, Subpart "B", Chapter 1, Paragraph 3.c. – Change of Ownership

a. **Verification of Financial Information**—CDC must submit IRS Form 4506-T (SBA version) to the Internal Revenue Service to obtain federal income tax information on Borrower, or the Operating Company if Borrower is an EPC, for the last 3 years (unless Borrower or Operating Company is a start-up business). If the business has been operating for less than 3 years, CDC must obtain the information for all years in operation. This requirement does not include tax information for the most recent fiscal year if the fiscal year-end is within 6 months of the date SBA received the application. CDC must compare the tax data received from the IRS with the financial data or tax returns submitted with the Loan application, and relied upon in approving the Loan. Borrower must resolve any significant differences to the satisfaction of CDC and SBA. Failure to resolve differences may result in cancellation of the Loan.

If the Loan involves purchase of a business or change of ownership, CDC must verify financial information provided by the seller of the business in the same manner as above.

If CDC does not receive a response from the IRS within 10 business days of submitting IRS Form 4506-T, then CDC may close the Loan prior to completing this verification, provided that CDC has submitted IRS Form 4506-T to the IRS no later than 10 business days from the date of this Authorization. At the time the information is received, CDC must still perform the verification and resolve any significant differences discovered, even if the loan is fully disbursed.

Authority to Conduct Business (MANDATORY)

CFR 120.892(c)—CDC must issue an opinion that there has been no unremedied substantial adverse change in the Borrower's (or Operating Company's) ability to repay the loan.

b. **Authority to Conduct Business—**Evidence that Borrower and Operating Company have an Employer Identification Number and any authorization necessary to legally operate the business.

Flood Hazard Determination (MANDATORY)

SOP 50-10(4), pg. 106-109, Subpart "A", Chapter 5, Paragraph 6.b.—SBA Flood Insurance Requirements

c. **Flood Hazard Determination**—A completed Standard Flood Hazard Determination (FEMA Form 81-93).

Lease (OPTIONAL)

Use this provision if any Project machinery and equipment is being placed in leased premises.

Paragraph d. is the general rule; use **paragraph e.** only if CDC has approval to allow a lease of less than the term of the loan; use **paragraph f.** to protect leasehold improvements; use **paragraph g.** if you are trying to keep the Borrower in the present location regardless of where the collateral is located.

SOP 50-10(4), pg. 91-93, Subpart "A", Chapter 4, Paragraph 1.h.(5)—Collateral on Leased Property

d. **Lease**—Current lease(s) on all business premises where collateral is located with term, including options, at least as long as the term of the Loan.

e. **Lease**—Current lease(s) on all business premises where collateral is located, with an adequate term, including options, appropriate to the maturity of the Loan, considering location, type of business, and type of leasehold interest.

f. **Lease**—Current lease(s) on all business premises where collateral is located with term, including options, at least as long as the term of the Loan plus **[number of years]** years.

g. **Lease**—Current lease(s) on all business premises with a term, including options to renew exercisable by the Borrower, at least as long as the term of the Loan.

Agreement of Franchisor (OPTIONAL)

SOP 50-10(4), pg. 112-13, Subpart "A", Chapter 5, Paragraph 6f.

Note: Each option within the Agreement of Franchisor (options (1) to (4)) is optional

h. **Agreement of Franchisor** :

(1) That CDC and SBA can have access to Franchisor's books and records relating to Borrower's billing, collections and receivables.

(2) That upon Loan payment default or deferment, to defer payment of franchise fees, royalties, advertising, and other fees until Borrower brings Loan payments current **[OPTION—**or for **[months]** months, whichever is less**]**.

(3) To give CDC 30 days notice of intent to terminate the Franchise Agreement.

(4) To give CDC an opportunity to cure any defaults. Deferment of fees will not be cause for franchise termination.

For 504 Wizard users: Additional Conditions (Part II) starts here...

INJECTION (OPTIONAL)

50-10(4), pg. 85-88, Subpart "A", Chapter 4, Paragraph 1.f.—SBA Injection Policy

5. **Injection into the Business (in addition to Borrower's Contribution)**

CDC must obtain evidence that prior to 504 Loan Closing:

Select one or more of the following paragraphs (a to d)

a. **Cash Injection—**At least $**[Amount]** cash has been injected into the business as equity capital. This cash is for **[Description]**.

b. **Standby Debt Injection**—At least $**[Amount]** cash has been injected into the business. This cash is for **[Description]**. Borrower may obtain this cash from a loan that is Standby Debt until Borrower pays CDC in full.

c. **Equity Injection / Standby Debt Injection**—At least $**[Amount]** cash has been injected into the business. The cash is for **[Description]**. Borrower may obtain cash from personal resources or from a loan that is Standby Debt until Borrower pays CDC in full. Any such debt must be covered by a standby agreement substantially equivalent to SBA Form 155, with no payment permitted.

d. **Asset Injection—**Assets with a fair market value of not less than $**[Amount]** have been injected into the business as equity capital.

STANDBY AGREEMENT
(MANDATORY if "Standby Debt Injection" is selected above)

50-10(4), pg. 86-88, Subpart "A", Chapter 4, Paragraph 1.f.(5)-(7)—SBA Standby Injection Policy

6. **Standby Agreement**

The following section must be repeated for each standby creditor

a. At or prior to 504 Loan Closing, CDC to obtain Standby Creditor's Agreement from **[Name]**, for $**[Amount]**, plus all accrued and future interest (Standby Debt).

[SELECT one of the following repayment options -

No payment of principal or interest is to be made on Standby Debt during the term of the Loan.

OR Monthly payments of interest on Standby Debt, at **[Rate]**% per year, may be made if Borrower is not in default under the Note.

OR Monthly payments of $**[Amount]**, consisting of principal and interest on Standby Debt, at **[Rate]**% per year, may be made if Borrower is not in default under the Note.

OR Monthly payments of $**[Amount]**, consisting of principal and interest on Standby Debt, at **[Rate]**% per year, beginning **[Begin Date]** may be made if Borrower is not in default under the Note.

OR (Write Your Own) **]**

Standby Creditor must subordinate any lien rights in collateral securing the Loan to CDC's rights in the collateral, and take no action against Borrower or any collateral securing the Standby Debt without CDC's consent. CDC must attach a copy of the Standby Note evidencing the Standby Debt to the Standby Creditor's Agreement. CDC may use its own form or SBA Form 155.

APPRAISAL (OPTIONAL)

SOP 50-10(4), pg. 101-104-2, Subpart "A", Chapter 5, Paragraph 3—SBA Appraisal Requirements

7. **Appraisal**

Prior to 504 Loan Closing, and in accordance with SOP 50-10(4), CDC must obtain and submit to SBA:

The 6 following options can be used several times if necessary

Use a. to c. if appraisal is on Project property; use d. to f. otherwise.

a. **Real Estate Appraisal** on the Project real property located at **[Address]**. If the appraised fair market value is less than $**[Amount]**, Borrower must provide additional investment, additional collateral, or reduce the size of the Project as appropriate.

b. **Equipment Appraisal** on the Project equipment (and fixtures if not included in a real estate appraisal) **[**described as **[Description]**. If the appraised fair market value is less than $**[Amount]**, Borrower must provide additional investment, additional collateral, or reduce the size of the Project as appropriate.

c. **Marine Survey and Appraisal** on the Project vessel named **[Name]**. If the appraised fair market value is less than $**[Amount]**, Borrower must provide additional investment, additional collateral, or reduce the size of the Project as appropriate.

d. **Real Estate Appraisal** on the real property located at **[Address]**, showing a fair market value of at least $**[Amount]**.

e. **Equipment Appraisal** on the equipment (and fixtures if not included in a real estate appraisal) **[**described as **[Description]**, showing a fair market value of at least $**[Amount]**.

f. **Marine Survey and Appraisal** on the vessel named **[Name]**, showing a fair market value of at least $**[Amount]**.

CONSTRUCTION PROVISIONS (MANDATORY if project includes construction)

SOP 50-10(4), pg. 110-111, Subpart "A", Chapter 5, Paragraph 6.e.—SBA Construction Loan Requirements.

For 504 Wizard users: This section is automatically inserted by the 504 Wizard if Project Costs (A.2) includes construction or remodeling.

8. **Construction Provisions**

a. **Building Standards**: In the construction of a new building or an addition to an existing building, the construction must conform with the "National Earthquake Hazards Reduction Program Recommended Provisions for the Development of Seismic Regulations for New Buildings" (NEHRP), or a building code that SBA has identified as having substantially

equivalent provisions. At or prior to 504 Loan Closing, CDC must obtain from Borrower evidence of compliance with these requirements. The evidence must be either a certificate issued by a licensed building architect, construction engineer or similar professional, or a letter from a state or local government agency stating that an occupancy permit is required and that the local building codes upon which the permit is based include the Seismic standards.

The following Codes have been identified as substantially equivalent to NEHRP:

(1) Uniform Building Code of the International Congress of Building Officials (ICBO), as amended,

(2) Building Officials and Code Administrators (BOCA) National Building Code, as amended,

(3) Southern Building Code Congress (SBCC) Standard Building Code, as amended.

b. **Required Documentation**—At or prior to 504 Loan Closing if any proceeds will be used to repay interim construction financing, CDC must obtain a copy of the Occupancy Certificate, final inspection report, or other evidence that the contractor has substantially completed construction and the property complies with all zoning and necessary governmental permit and licensing requirements. CDC must certify that construction has been completed in accordance with the final plans and specifications. CDC may rely upon a certification by the Interim Lender.

CERTIFICATIONS AND AGREEMENTS (MANDATORY)

9. **Certifications and Agreements**

The following paragraph always appears:

a. At or prior to 504 Loan Closing, CDC must require Borrower and Operating Company to certify that:

No Adverse Change (MANDATORY)

CFR 120.892—Certification of no adverse change in financial condition or ability to repay the 504 loan since date of application, furnish interim financial statements current within 120 days.

(1) **No Adverse Change**—Since the date of application there has been no unremedied substantial adverse change in the financial condition of Borrower and Operating Company or their ability to repay the Project financing, including the Note. Borrower and Operating Company must also supply to CDC accurate **[SELECT–** financial statements, compiled financial statements, reviewed financial statements, audited financial statements, financial statements compiled by a CPA, financial statements reviewed by a CPA, financial statements audited by a CPA**]**, current within 120 days of 504 Loan Closing.

Child Support (MANDATORY)

CFR 120.171/SOP 50-10(4), pg. 129, Subpart "A", Chapter 6, Paragraph, 1.b.

(2) **Child Support—**No principal who owns at least 50% of the ownership or voting interest of the company is delinquent more than 60 days under the terms of any (a) administrative order, (b) court order, or (c) repayment agreement requiring payment of child support.

Current Taxes (MANDATORY)

SOP 50-10(4), pg. 105-106, Subpart "A", Chapter 5, Paragraph 5—SBA Tax Policy

(3) **Current Taxes—**Borrower and Operating Company are current on all federal, state, and local taxes, including but not limited to income taxes, payroll taxes, real estate taxes, and sales taxes.

Environmental (MANDATORY)

SOP 50-10(4), pg. 115 - 128-2, Chapter 5, Paragraph 7—SBA Environmental Policy

(4) **Environmental —** For any real estate pledged as collateral for the Loan or where the Borrower **[or Operating Company]** is conducting business operations (collectively "the Property"):

(a) At the time Borrower **[and Operating Company]** submitted the Loan application, Borrower was in compliance with all local, state, and federal environmental laws and regulations pertaining to reporting or clean-up of any hazardous substance, hazardous waste, petroleum product, or any other pollutant regulated by state or federal law as hazardous to the environment ("Contaminant"), and regarding any permits needed for the creation, storage, transportation or disposal of any Contaminant;

(b) Borrower **[and Operating Company]** will continue to comply with these laws and regulations;

(c) Borrower **[and Operating Company]** and all of its principals, have no knowledge of the actual or potential existence of any Contaminant that exists on, at, or under the Property, including groundwater under such Property other than what was disclosed in connection with the Environmental Investigation of the Property;

(d) Until full repayment of Loan, Borrower **[and Operating Company]** will promptly notify CDC and SBA if it knows or suspects that there has been, or may have been, a release of a Contaminant, in, at or under the Property, including groundwater, or if Borrower **[or Operating Company]** or such property is subject to any investigation or enforcement action by any federal, state or local environmental agency ("Agency") pertaining to any Contaminant on, at, or under such Property, including groundwater.

(e) As to any Property owned by Borrower **[or Operating Company]**, Borrower **[or Operating Company]** indemnifies, and agrees to defend and hold harmless, CDC and SBA, and any assigns or successors in interest which take title to the Property, from and against all liabilities, damages, fees, penalties or losses arising out of any demand, claim or suit by any Agency or any other party relating to any Contaminant found on, at or under the Property, including groundwater, regardless of whether such Contaminant resulted from Borrower's **[or Operating Company's]** operations. (CDC or SBA may require Borrower **[or Operating Company]** to execute a separate indemnification agreement).

The following paragraph always appears:

b. At or prior to 504 Loan Closing, CDC must require Borrower and Operating Company to certify that they will:

Reimbursable Expenses (MANDATORY)

SOP 50-10(4), pg. 503-509, Subpart "H", Chapter 23—SBA policy on Fees CDCs may charge

(1) **Reimbursable Expenses**—Reimburse CDC for expenses incurred in the making and administration of the Loan.

Books, Records and Reports (MANDATORY)

SOP 50-10(4), pg. 106, Subpart "A", Chapter 5, Paragraph 6—SBA Financial statement Requirements

(2) **Books, Records, and Reports**-
- (a) Keep proper books of account in a manner satisfactory to CDC;
- (b) Furnish **[OPTION—**compiled**—OR—**reviewed**—OR—**audited**]** year-end statements to CDC within **[number of days, default is 120]** days of fiscal year end;
- (c) Furnish additional financial statements or reports whenever CDC requests them;
- (d) Allow CDC or SBA, at Borrower's or Operating Company's expense, to:
  - [1] Inspect and audit books, records and papers relating to Borrower's and Operating Company's financial or business condition; and
  - [2] Inspect and appraise any of Borrower's and Operating Company's assets; and
  - [3] Allow all government authorities to furnish reports of examinations, or any records pertaining to Borrower and Operating Company, upon request by CDC or SBA.

Equal Opportunity (MANDATORY)

CFR 120.176/SOP 50-10(4), pg. 135, Subpart "A", Chapter 6, Paragraph 1.g.—Compliance with Anti-Discrimination Laws

(3) **Equal Opportunity—**Post SBA Form 722, Equal Opportunity Poster, where it is clearly visible to employees, applicants for employment and the general public.

American-made Products (MANDATORY)

This provision is required by Congress and is included in SBA's appropriations laws.

(4) **American-made Products—**To the extent practicable, purchase only American-made equipment and products with the proceeds of the Loan.

Taxes (MANDATORY)

SOP 50-10(4), pg. 106, Subpart "A", Chapter 5, Paragraph 5—SBA Tax Policy

(5) **Taxes**—Pay all federal, state, and local taxes, including income, payroll, real estate and sales taxes of the business when they come due.

Occupancy (MANDATORY if building built or purchased)

Insert paragraph (6) or (7) if Loan proceeds include purchase or renovation of an existing building. **Use (6) for non EPC loans; use (7) for EPC loans.**

Insert paragraph (8) or (9) if Loan proceeds include construction of a new building. **Use (8) for non EPC loans; use (9) for EPC loans.**

CFR 120.10 – "Rentable Property" is the total square footage of all buildings or facilities used for business operations.

CFR 120.131—SBA Occupancy Policy

For 504 Wizard users: When the occupancy options are selected, the wizard automatically inserts paragraphs (7) and (9) for EPC loans and, (6) and (8) for non-EPC loans.

(6) **Occupancy—**Occupy, at all times during the term of the Loan, at least 51% of the total Rentable Property and 100% of the renovated Rentable Property. Borrower will not use Loan proceeds to improve or renovate any of the property leased to third parties.

(7) **Occupancy**—Comply with the following provisions: (a) Borrower must lease 100% of the Rentable Property to Operating Company; (b) Operating Company may sublease up to 49% of the Rentable Property; (c) Borrower will not use Loan proceeds to improve or renovate any of the Rentable Property to be sub-leased.

(8) **Occupancy**—(a) Immediately occupy at least 60% of the Rentable Property; (b) Continue to occupy at least 60% of the Rentable Property for the term of the Loan; (c) Lease long term no more than 20% of the Rentable Property to one or more tenants; (d) Plan to occupy within three years some of the remaining Rentable Property not immediately occupied or leased long term; (e) Plan to occupy within ten years all of the Rentable Property not leased long term.

(9) **Occupancy**—Comply with the following provisions: (a) Borrower must lease 100% of the Rentable Property to Operating Company; (b) Operating Company must immediately occupy at least 60% of the Rentable Property; (c) Operating Company will lease long term no more than 20% of the Rentable Property to one or more tenants; (d) Operating Company must plan to occupy within three years some of the remaining Rentable Property not immediately occupied or leased long term; (e) Operating Company must plan to occupy within ten years all of the Rentable Property not leased long term.

Certifications and Agreements—Open Options I
(Use to add other Certifications and Agreements as needed)

The following paragraph always appears:

c. At or prior to 504 Loan Closing, CDC must require Borrower and Operating Company to certify that they will not, without prior written consent of CDC and SBA:

Distribution (MANDATORY)

(1) **Distributions**—Make any distribution of company assets that will adversely affect the financial condition of Borrower and/or Operating Company.

Ownership Changes (MANDATORY)

(2) **Ownership Changes—**Change the ownership structure or interests in the business during the term of the Note, provided that, commencing six months after the

Debenture sale, Borrower or Operating Company may have one or more changes in ownership without approval of SBA so long as the cumulative change over the term of the Note is less than five percent (5%).

Transfer of Assets (MANDATORY)

(3) **Transfer of Assets—**Sell, lease, pledge, encumber (except by purchase money liens on property acquired after the date of the Note), or otherwise dispose of any of Borrower's property or assets, except in the ordinary course of business.

Conflict (MANDATORY)

(4) **Conflict**—Or any of its affiliates acquire, directly or indirectly, in excess of a 10% ownership or interest in CDC during the term of the Debenture. If this type of acquisition occurs the Debenture will immediately become due and payable in full.

Fixed Asset Limitation (OPTIONAL)

SOP 50-10(4), pg. 110, Subpart "A", Chapter 5, Paragraph 6.c.

(5) **Fixed Asset Limitation—**Acquire by purchase or lease agreement any fixed assets (totaling more than $**[Amount]** in any year).

Location Limitation (OPTIONAL)

(6) **Location Limitation—**Acquire by purchase or by lease, any additional locations.

Limitation on Compensation (OPTIONAL)

SOP 50-10(4), pg. 110, Subpart "A", Chapter 5, Paragraph 6.c.

(7) **Limitation on Compensation -**Allow total annual salaries, withdrawals or other forms of remuneration to officers or owners of Borrower and Operating Company, and their immediate family members, to exceed $**[Amount]**.

Certifications and Agreements—Open Options II
(Use to add other Certifications and Agreements as needed)

F. DEBENTURE SALE CONDITIONS

1. SBA will not authorize the sale of the Debenture until SBA is satisfied that:

CFR 120.892—Certification of no adverse change in financial condition or ability to repay the 504 loan since date of application, furnish interim financial statements current within 120 days.

CFR 120.960 – Responsibility for Closing

a. There has been no unremedied substantial adverse change in the financial condition, organization, management, operation, or assets of Borrower and Operating Company;

b. All the terms and conditions of this Authorization have been met, and;

c. Borrower, Operating Company and the CDC have complied with their responsibilities as listed below.

2. IT IS BORROWER'S RESPONSIBILITY TO:

SOP 50-10(4), pg. 436-438, Subpart "H", Chapter 12, Paragraph 3—Certifications required to close the Debenture.

a. Comply with other conditions, outside the Authorization, that are reasonably imposed by CDC.

b. Cooperate fully with CDC and SBA in closing the Loan and obtaining necessary certifications and documents.

c. Comply with the closing instructions provided by CDC and SBA.

d. Execute all documents required by CDC and SBA. All documents required to be produced by the Borrower must be satisfactory to SBA in form and substance.

e. Submit all required documents to CDC counsel sufficiently in advance of 504 Loan Closing (as directed by CDC counsel).

f. Certify that all elements of Project Costs have been paid in full and how they were paid.

g. Certify that any bankruptcy or insolvency proceeding involving, or pending lawsuit against, Borrower, Operating Company or any of their principals has been disclosed in writing to CDC.

3. IT IS CDC'S RESPONSIBILITY TO:

CFR 120.960—Responsibility for Closing; 120.961—Construction escrow accounts; 120.891—certifications of disbursement and completion; 120.892—Certifications of no adverse change; 120.194—Computer generated forms if exact reproductions.

SOP 50-10(4), pg. 487-501, Subpart "H", Chapter 22—Closings, including forms; 50-10(4); pg. 177-2 - 178, Subpart "A", Chapter 6, Paragraph 11—Use of computer generated forms;

Other Reference Guides: NADCO's Designated CDC/Closing Attorney Training manual; Central Servicing Agent "User Manual".

a. Close the Loan in accordance with the terms and conditions of this Authorization.

b. Obtain valid and enforceable Loan documents and all required lien positions. This includes obtaining the signatures or written consent of any obligor's spouse if such consent or signature is necessary to bind the marital community or create a valid lien on marital property.

c. Obtain all necessary certifications.

d. Obtain a legal opinion from CDC counsel or Borrower's counsel if there is one, acceptable to CDC and SBA, verifying:

(1) that all Borrower or guarantor entities (other than natural persons) are properly organized, in good standing, validly existing, and have the authority to borrow or guarantee;

(2) that the documents executed by the Borrower and guarantors have been authorized, executed, and delivered by an authorized person, and are valid and binding obligations, enforceable in accordance with their respective terms; and

(3) opinions as to such other matters as CDC and SBA may require.

e. Certify to SBA that there has been no unremedied substantial adverse change in the Borrower's **[or Operating Company's]** financial condition, organization, operation, or assets, as set forth on the CDC Certification (SBA Form 2101).

f. Certify that all elements of Project Costs have been paid in full and that the Interim Lender, Third Party Lender, Borrower, and CDC have each contributed to the Project in the amount and manner authorized by SBA.

g. Properly complete all closing documents using SBA Required Forms. CDC may use its own forms except as otherwise instructed in this Authorization. CDC must use the following forms for the Loan:

Opinion of CDC Counsel (Appendix D to the National 504 Authorization Boilerplate)
SBA Form 2101, CDC Certification
SBA Form 1505, SBA Note
SBA Form 1504, Debenture
SBA Form 159, Compensation Agreement, for each representative
SBA Form 1528, CDC Board Resolution
SBA Form 1506, Servicing Agent Agreement
SBA Form 722, Equal Opportunity Poster
[OPTION - SBA Form 148, Guarantee**]**
[OPTION - SBA Form 148L, Limited Guarantee**]**
IRS Form W-9

CDC may use computer-generated versions of mandatory SBA Forms, as long as these versions are exact reproductions.

h. Submit these documents as well as other required documents and copies, such as a Closing Checklist and Collateral Listing, to SBA for review and Debenture sale by the deadlines established by SBA.

4. **Compensation Agreement**. At Closing, CDC and Borrower must provide an SBA Form 159 from each agent (including an attorney, accountant, consultant, manufacturer's representative, packager, lender service provider, or any other person representing a Borrower or CDC) that assisted the Borrower to obtain the Loan, indicating the amount of each fee.

5. **Completion of Debenture and Note Terms.** Borrower, Operating Company and CDC authorize CDC, SBA and/or CSA to date and otherwise complete any terms of the Debenture, Note, or Loan Documents which were incomplete at the time of their execution as soon as such terms become known to them.

For 504 Wizard users: Signature Block section starts here...

ADMINISTRATOR
SMALL BUSINESS ADMINISTRATION

[Approval Date]

By: **[Name, Title]** Date

[MUST APPEAR if PCLP CDC—a Premier CDC, for CDC and as an agent of and on behalf of the SBA for the purpose of executing this Authorization.**]**

ACCEPTANCE BY BORROWER, OPERATING COMPANY AND CDC:

In consideration for the provision by SBA of financial assistance to CDC for the benefit of Borrower, and intending to be bound, Borrower, Operating Company and CDC accept and agree to comply fully with the terms and conditions of this Authorization For Debenture Guarantee. Each person signing below represents and warrants that he or she is fully authorized to execute this Authorization in the capacity indicated.

CDC, Borrower and Operating Company must confirm their receipt of these terms and conditions by signing this Authorization within ten (10) days after receiving it. The signed Authorization must be submitted to SBA with the closing documents.

The terms and conditions of this Authorization survive 504 Loan Closing and Debenture sale.

The following must appear for NON-PCLP CDCs only

[CDC's Name] (Corporate Seal if required)

By (name, title): Date

Attest or Witness, as required (name, title): Date

The following must be repeated for each borrower

[Borrower's Name] (Corporate Seal if required)

By (name, title): Date

Attest or Witness, as required (name, title): Date

The following must be repeated for each Operating Company

[Operating Company's Name] (Corporate Seal if required)

By (name, title): Date

Attest or Witness, as required (name, title): Date

Appendix A
Standard Collateral Conditions

PLEASE READ THIS FIRST !
This appendix is used for both 7(a) and 504 Authorizations
All references to "Lender" in this appendix apply only to the 7(a) Authorization.
For 504 authorizations, "CDC" will replace "Lender".

Index of Standard Collateral Conditions

Page A-

A. GUARANTEES **2**
- **1. Full Unsecured Guarantee** **2**
- **2. Full Secured Guarantee** **2**
- **3. Limited Unsecured Guarantee** **2**
- **4. Limited Secured Guarantee** **3**

B. REALTY AND LEASEHOLDS **4**
- **1. Lien On Land And Improvements** **4**
- **2. Collateral Assignment of (or lien on) Purchaser's Interest in Land Contract of Sale** **6**
- **3. Collateral Assignment of (or lien on) Seller's Interest in Land Contract of Sale** **8**
- **4. Assignment of Beneficial Interest and Power of Direction in Land Trust** **8**
- **5. Leasehold Instrument on Building Constructed on Leased Land** **9**
- **6. Leasehold Security Interest in building on leased land** **12**
- **7. Lessee's Interest in a Lease by Assignment** **13**
- **8. Lessee's Interest in a Lease by Lien, Mortgage or Deed of Trust** **13**
- **9. Leasehold on Tribal Land** **13**
- **10. Cooperative Apartment** **14**

C. SECURITY INTERESTS **14**
- **1. Personal Property** **14**
- **2. Liquor License** **15**
- **3. Vehicle** **16**
- **4. Mobile Home** **16**
- **5. Aircraft** **16**
- **6. Vessel** **17**

D. ASSIGNMENTS OF INTEREST **17**
- **1. Certificate of Deposit** **17**
- **2. Mutual Fund** **17**
- **3. Corporate Stock (by pledge)** **17**
- **4. Note** **18**
- **5. Contract** **18**
- **6. Government Contract** **18**
- **7. U.S. Patent** **18**
- **8. Franchise Agreement** **18**

A. Guarantees

SBA generally takes a full unconditional guarantee.

SOP 50-10(4), pg. 98-99, Subpart "A", Chapter 4, Paragraph 2 - SBA requirements for Guarantees.
Holders of 20% or more ownership interest must guarantee the loan.
If this is an EPC/OC loan, then under SOP 50-10(4), pg.45 - 50-2, Chapter 2, Paragraph 9, the Operating Company must guarantee the loan if it is not a Co-Borrower.
If the EPC is a trust, then under SOP 50-10(4), pg.49, all trustors and donors must guarantee the loan.

See also SBA Inst 148 (Instructions for Use of SBA Form 148 and 148L)

1. Full Unsecured Guarantee

Guarantee on SBA Form 148, by **[Name of guarantor]**, resident in **[State/Country Name]**.

2. Full Secured Guarantee

Guarantee on SBA Form 148, by **[Name of guarantor]**, resident in **[State/Country Name]**.

Note: When securing a guarantee, references to "Borrower" are replaced with "Guarantor", and references to "due on sale clause" are deleted.

Secured by: **[Reverts to full list of collateral conditions to select]**

3. Limited Unsecured Guarantee

Limited Guarantee on SBA Form 148 (use 148L if available), by **[Name of guarantor]**, resident in **[State/Country Name]**.

Select One And Only One Of The Following Paragraphs

BALANCE REDUCTION LIMITATION: The Guarantee is of all amounts owing under the Note, and will continue until the total of all amounts owing under the Note is reduced below $**[Amount]**, at which time Guarantor will be released from liability if the Note is not in default.

PRINCIPAL REDUCTION LIMITATION: The Guarantee is of all amounts owing under the Note, and will continue until the outstanding principal balance of the Note is reduced below $**[Amount]**, at which time Guarantor will be released from liability if the Note is not in default.

MAXIMUM LIABILITY LIMITATION: The Guarantee is limited to Guarantor's payment of $**[Amount]**.

PERCENTAGE LIMITATION: The Guarantee is limited to Guarantor's payment of **[Percent]%** of all amounts owing under the Note at the time demand is first made on Guarantor, plus the same percentage of any accrued interest and other costs charged to the Note after demand, until Guarantor fully performs this Guarantee.

TIME LIMITATION: The Guarantee is of all amounts owing under the Note. The Guarantee will continue until **[number of years]** year(s) after the date of the Note (the "Guarantee Period"). If Borrower is in default at the end of the Guarantee Period, the Guarantee will continue until all defaults are cured.

COMMUNITY PROPERTY OR SPOUSAL INTEREST LIMITATION: The Guarantee is limited to Guarantor's community property or spousal interest in collateral pledged to secure the Note or any guarantee.

4. Limited Secured Guarantee

Limited Guarantee on SBA Form 148 (use 148L if available), by **[Name of guarantor]**, resident in **[State/Country Name]**.

Select One And Only One Of The Following Paragraphs

BALANCE REDUCTION LIMITATION: The Guarantee is of all amounts owing under the Note, and will continue until the total of all amounts owing under the Note is reduced below $**[Amount]**, at which time Guarantor will be released from liability if the Note is not in default.

PRINCIPAL REDUCTION LIMITATION: The Guarantee is of all amounts owing under the Note, and will continue until the outstanding principal balance of the Note is reduced below $**[Amount]**, at which time Guarantor will be released from liability if the Note is not in default.

MAXIMUM LIABILITY LIMITATION: The Guarantee is limited to Guarantor's payment of $**[Amount]**.

PERCENTAGE LIMITATION: The Guarantee is limited to Guarantor's payment of **[Percent]%** of all amounts owing under the Note at the time demand is first made on Guarantor, plus the same percentage of any accrued interest and other costs charged to the Note after demand, until Guarantor fully performs this Guarantee.

TIME LIMITATION: The Guarantee is of all amounts owing under the Note. The Guarantee will continue until **[number of years]** year(s) after the date of the Note (the "Guarantee Period"). If Borrower is in default at the end of the Guarantee Period, the Guarantee will continue until all defaults are cured.

COLLATERAL/RECOURSE LIMITATION: The Guarantee is limited to the amount Lender obtains from the following collateral pledged by Guarantor: **[Collateral]**

COMMUNITY PROPERTY OR SPOUSAL INTEREST LIMITATION: The Guarantee is limited to Guarantor's community property or spousal interest in collateral pledged to secure the Note or any guarantee.

The following always appears

Note: When securing a guarantee, references to "Borrower" are replaced with "Guarantor", and references to "due on sale clause" are deleted.

Secured by: **[Reverts to full list of collateral conditions to select]**

B. Realty And Leaseholds

1. Lien On Land And Improvements

Note: Some of the options in this collateral condition will vary according to the state in which the real property is located. Refer to Appendix B for more information.

Note: STRINGENT CONDITIONS FOR LIMITING SIZE OF LIEN: Loan must be otherwise fully secured by other collateral and lien must be no less than 150% of available equity. See SBA Policy Notice 5000-889.

[SELECT - First, Second, Third, Fourth, Fifth] [SELECT - Deed of Trust, Mortgage or other state specific instrument] (including due on sale clause **[OPTION -** and water rights**] [OPTION -** and assignment of rents**]**) on land and improvements located at **[address of property]**. This property is **[SELECT -** residential **- OR -** commercial **- OR -** agricultural**]**. **[OPTION -** The lien is limited to $**[amount]**.**]**

The following must appear if first lien position.

a. subject to no other liens.

The following must appear if junior lien position.

b. subject only to prior lien(s) as follows:

(1) First: **[name of lienholder] [SELECT -** in the amount of $**[amount] - OR -** in the present amount of $**[amount]**, with a revolving provision limited to a total principal outstanding of $**[amount]]**.

(2) Second: **[name of lienholder] [SELECT -** in the amount of $**[amount] - OR -** in the present amount of $**[amount]**, with a revolving provision limited to a total principal outstanding of $**[amount]]**.

(3) **[etc., up to four]**.

The following paragraphs are optional.

Note : availability of options may vary depending on the state in which the real property is located - see Appendix B for more information.

c. Any prior lien(s) that is (are) open ended as to future advances must be closed, in writing, according to applicable state law. The revolving line(s) of credit set out above, if any, must be limited in writing to the amount stated.

d. Lender must obtain a written agreement from prior lienholders to provide Lender with **[number of days]** days written notice before commencing foreclosure of prior lien.

e. Lender to file a Request for Notice pursuant to state law.

f. Written waiver of homestead required.

g. Statement of non-homestead required.

h. Written Designation of Business Homestead required.

i. Lender must obtain from prior lienholders written verification (1) of amount owing on prior obligation, (2) that Borrower is current on payments, and (3) that Borrower is not otherwise in default.

j. Written waiver of redemption rights is required on non-residential property.

k. Survey, certified to lender, is required, or prior survey and affidavit of no change acceptable to lender.

Select one and only one of the following choices, from (1) to (8)

l. Evidence of title and priority of lien must be based upon:

(1) ALTA Loan Policy, insuring lender and assigns,
[OPTION - in the amount of $**[Amount]**,**]**
[OPTION - with **[specify required endorsements]** endorsements,**]**
[OPTION - policy to be without standard exceptions ("extended ALTA"),**]**
[OPTION - policy to be without standard survey exception.**]**
[OPTION - policy will not contain an M.G.L. Section 21(e) exception unless a detailed engineering study satisfactory to Lender is submitted prior to closing.**]**
[MUST APPEAR if R/E located in VT - Policy must provide affirmative coverage over any environmental contamination on property when publicly issued, filed, or recorded government documents indicate that environmental contamination is above federal or state action levels.**]**
[OPTION - Write Your Own]

(2) Mortgagee's Title Policy insuring lender and assigns
[OPTION - in the amount of $**[Amount]**,**]**
[OPTION - policy to be without standard survey exception,**]**
[OPTION - policy to be without exception to Homestead, Survey or Taxes,**]**
[OPTION - policy must reflect that all taxes and municipal liens have been brought current or paid.**]**
[OPTION - Such policy must contain no exceptions for parties in possession, mechanic's or materialman's liens, or matters which would be disclosed by an accurate survey.**]**
[OPTION - Policy will not contain an M.G.L. Section 21(e) exception unless a detailed engineering study satisfactory to Lender is submitted prior to closing.**]**
[MUST APPEAR if R/E located in VT - Policy must provide affirmative coverage over any environmental contamination on property when publicly issued, filed, or recorded government documents indicate that environmental contamination is above federal or state action levels.**]**

(3) Attorney's certificate of title or title opinion in favor of lender and assigns certifying that lender has obtained the required lien position.
[OPTION - Certificate or opinion will not contain a survey exception or an M.G.L. Section 21(e) exception unless a detailed engineering study satisfactory to Lender is submitted prior to closing.**]**
[MUST APPEAR if R/E located in VT - Certificate or opinion must address that the real property and its use are in compliance with state and federal environmental laws and regulations, as well as zoning, subdivision and land use laws, as determinable from all relevant publicly issued, filed or recorded governmental documents.**]**

(4) Title insurance customarily obtained for similar transactions in this jurisdiction.

(5) Title and/or Lien Search or other evidence of proper ownership and lien position.

(6) CLTA Loan Policy.

(7) Limited Title Policy.

(8) Property, Judgment and Lien Report indicating that lender has obtained the required position.

In addition to the above, a "write your own" option is provided in case a survey or other endorsement is required

(9) **[Write Your Own]**

*The following paragraphs must appear in **504 Authorizations only** when collateral is Project Property.*

m. CDC must obtain in recordable form written subordination agreements from any tenants occupying any of the Project real property required as collateral. Appropriate subordination language may be included in the Lease as an alternative.

n. At the time of Closing, either:

(1) there must be no contractor's, mechanic's or materialman's lien on the Property, including a lien which might possibly be filed after Closing, which would impair the stated priority of the CDC/SBA lien, and there must be no other circumstances adversely affecting the value of the property; or,

(2) no exception for these in the title insurance commitment/policy, or

(3) The title insurance company must provide affirmative coverage to CDC and SBA over any such exceptions, affording reasonably adequate protection against material loss arising from such exceptions. In addition, the title insurance company must provide such endorsements as CDC or SBA deems necessary to protect CDC and SBA reasonably against material loss arising from any other exceptions. In states where a survey is customarily provided for title insurance coverage, Borrower must also provide a survey certified to SBA/CDC, or a prior survey acceptable to SBA/CDC and the title insurer and a satisfactory survey affidavit of no change.

2. Collateral Assignment of (or lien on) Purchaser's Interest in Land Contract of Sale

Note: Some of the options in this collateral condition will vary according to the state in which the real property is located. Refer to Appendix B for more information.

Note: STRINGENT CONDITIONS FOR LIMITING SIZE OF LIEN: Loan must be otherwise fully secured by other collateral and lien must be no less than 150% of available equity. See SBA Policy Notice 5000-889.

Collateral Assignment of (or lien on) Purchaser's Interest in Land Contract of Sale between **[Seller]** (Seller) and **[Purchaser]** (Purchaser), creating a valid lien on purchaser's interest covering real estate located at **[address of property]**, and its proceeds. **[OPTION -** The lien is limited to $**[amount]**.**]**

a. The outstanding balance due Seller under contract is $**[Amount owed to seller]**.

b. Lender must obtain from seller written verification (1) of amount owing on prior obligation, (2) that Borrower is current on payments, and (3) that Borrower is not otherwise in default.

c. Assignment must contain the following conditions: (1) Right of reassignment; (2) Seller's consent; (3) Seller's agreement to give 60 days notice of forfeiture with right to cure; and (4) Due on sale clause.

d. Assignment must be subject only to the interest of Seller **[OPTION -** and **[nature of interest(s) and amount(s)]]**.

The following paragraph is optional

e. Lender must cause deed to be held in escrow.

Select one and only one of the following choices, from (1) to (8)

f. Evidence of title and priority of lien must be based upon:

(1) ALTA Loan Policy, insuring lender and assigns,
[OPTION - in the amount of $**[Amount]**,**]**
[OPTION - with **[specify required endorsements]** endorsements,**]**
[OPTION - policy to be without standard exceptions ("extended ALTA"),**]**
[OPTION - policy to be without standard survey exception.**]**
[OPTION - Policy will not contain an M.G.L. Section 21(e) exception unless a detailed engineering study satisfactory to Lender is submitted prior to closing.**]**
[MUST APPEAR if R/E located in VT - Policy must provide affirmative coverage over any environmental contamination on property when publicly issued, filed, or recorded government documents indicate that environmental contamination is above federal or state action levels.**]**
[OPTION - Write Your Own]

(2) Mortgagee's Title Policy insuring lender and assigns
[OPTION - in the amount of $**[Amount]**,**]**
[OPTION - policy to be without standard survey exception,**]**
[OPTION - policy to be without exception to Homestead, Survey or Taxes,**]**
[OPTION - Policy must reflect that all taxes and municipal liens have been brought current or paid.**]**
[OPTION - Such policy must contain no exceptions for parties in possession, mechanic's or materialman's liens, or matters which would be disclosed by an accurate survey.**]**
[OPTION - Policy will not contain an M.G.L. Section 21(e) exception unless a detailed engineering study satisfactory to Lender is submitted prior to closing.**]**
[MUST APPEAR if R/E located in VT - Policy must provide affirmative coverage over any environmental contamination on property when publicly issued, filed, or recorded government documents indicate that environmental contamination is above federal or state action levels.**]**

(3) Attorney's certificate of title or title opinion in favor of lender and assigns certifying that lender has obtained the required lien position.
[OPTION - Certificate or opinion will not contain a survey exception or an M.G.L. Section 21(e) exception unless a detailed engineering study satisfactory to Lender is submitted prior to closing.**]**
[MUST APPEAR if R/E located in VT - Certificate or opinion must address that the real property and its use are in compliance with state and federal environmental laws and regulations, as well as zoning, subdivision and land use laws, as

determinable from all relevant publicly issued, filed or recorded governmental documents.**]**

(4) Title insurance customarily obtained for similar transactions in this jurisdiction.

(5) Title and/or Lien Search or other evidence of proper ownership and lien position.

(6) CLTA Loan Policy.

(7) Limited Title Policy.

(8) Property, Judgment and Lien Report indicating that lender has obtained the required position.

In addition to the above, a "write your own" option is provided in case a survey or other endorsement is required

(9) **[Write Your Own]**

3. Collateral Assignment of (or lien on) Seller's Interest in Land Contract of Sale

Collateral Assignment of (or lien on) Seller's Interest in Land Contract of Sale between **[Seller]** (Seller) and **[Purchaser]** (Purchaser), creating a valid lien on Seller's interest covering real property sold by the Seller to Purchaser and located at **[address of property]**, and its proceeds.

a. The outstanding balance due Seller under contract is $**[Amount owed seller]**.

b. Assignment must contain the following conditions: (1) Seller may receive payments from Purchaser so long as the Loan is not in default; (2) Seller must agree to direct Purchaser to make all future payments to Lender upon Loan default; and (3) Seller must agree that payment is due upon sale of seller's interest.

c. Assignment must be subject only to the interest of Purchaser **[OPTION -** and **[nature of interest(s) and amount(s)]]**.

4. Assignment of Beneficial Interest and Power of Direction in Land Trust

Note: Some of the options in this collateral condition will vary according to the state in which the real property is located. Refer to Appendix B for more information.

Assignment of Beneficial Interest and Power of Direction in Land Trust holding title to real estate located at **[Property Address]**.

The 2 following paragraphs a and b are optional

a. Subject only to the prior assignment(s) held by **[Prior Assignee]**, not exceeding $**[Amount]**.

b. Fee title to real estate must be subject only to prior lien(s) held by **[prior lienholders]**, not exceeding $**[Amount]**.

Select one and only one of the following paragraphs c and d

c. Title and lien position to be supported by ALTA Owner's Title Insurance Policy and current trust record.

d. Evidence of title and lien position is required, in form of tract book search or attorney's letter of opinion and current trust record.

5. Leasehold Instrument on Building Constructed on Leased Land

Note: STRINGENT CONDITIONS FOR LIMITING SIZE OF LIEN: Loan must be otherwise fully secured by other collateral and lien must be no less than 150% of available equity. See SBA Policy Notice 5000-889.

[SELECT - First, Second, etc.**] Leasehold [SELECT - Deed of Trust, Mortgage or other state specific instrument] (including due on sale clause) on Building(s) Constructed on Leased Land** located at **[address of property]**. This property is **[SELECT -** commercial **- OR -** agricultural**]**. **[OPTION -** The lien is limited to $**[amount]**.**]**

The following must appear if first lien position.

a. subject to no other liens.

The following must appear if junior lien position.

b. subject only to prior lien(s) as follows:

(1) First: **[name of lienholder] [SELECT -** in the amount of $**[amount] - OR -** in the present amount of $**[amount]**, with a revolving provision limited to a total principal outstanding of $**[amount]]**.

(2) Second: **[name of lienholder] [SELECT -** in the amount of $**[amount] - OR -** in the present amount of $**[amount]**, with a revolving provision limited to a total principal outstanding of $**[amount]]**.

(3) **[etc., up to four]**.

The following paragraphs always appear

c. Remaining term of lease, including options to renew exercisable solely by the Borrower, must cover term of Loan **[OPTION -** plus **[number of years]** year(s)**]**.

d. Lease must contain clauses providing for the following:

(1) Tenant's right to encumber leasehold estate;

(2) No modification or cancellation of lease without lender's or assignee's approval;

(3) Lender's or assignee's right to acquire the leasehold at foreclosure sale or by assignment and right of reassignment of the leasehold estate (along with right to exercise any options) by lender or successors;

(4) Lender's or assignee's right to sublease;

(5) Lender's or assignee's rights upon default of the tenant or termination of the lease. This would include notice, extended time to cure (at least 60 days), time allotted for foreclosure and sale, and procedures for non-monetary defaults;

(6) Lender's or assignee's rights to hazard insurance proceeds resulting from damage to improvements;

(7) Lender's or assignee's right to share in condemnation proceeds.

e. Lender must obtain Lessor's written consent to the leasehold **[Type of Instrument - same as above]** and a collateral assignment of lease.

The following paragraphs are optional.

Note : availability of options may vary depending on the state in which the real property is located - see Appendix B for more information.

f. Any prior lien(s) that is (are) open ended as to future advances must be closed, in writing, according to applicable state law. The revolving line(s) of credit set out above, if any, must be limited in writing to the amount stated.

g. Lender must obtain a written agreement from prior lienholders to provide Lender with **[number of days]** days written notice before commencing foreclosure of prior lien.

h. Lender to file a Request for Notice pursuant to state law.

i. Written waiver of homestead required.

j. Statement of non-homestead required.

k. Written Designation of Business Homestead required.

l. Lender must obtain from prior lienholders written verification (1) of amount owing on prior obligation, (2) that Borrower is current on payments, and (3) that Borrower is not otherwise in default.

m. Written waiver of redemption rights is required on non-residential property.

n. Survey, certified to lender, is required, or prior survey and affidavit of no change acceptable to lender.

Select one and only one of the following choices, from (1) to (8)

o. Evidence of title and priority of lien must be based upon:

(1) ALTA Loan Policy, insuring lender and assigns,
[OPTION - in the amount of $**[Amount]**,**]**
[OPTION - with **[specify required endorsements]** endorsements,**]**
[OPTION - policy to be without standard exceptions ("extended ALTA"),**]**
[OPTION - policy to be without standard survey exception.**]**
[OPTION - Policy will not contain an M.G.L. Section 21(e) exception unless a detailed engineering study satisfactory to Lender is submitted prior to closing.**]**
[MUST APPEAR if R/E located in VT - Policy must provide affirmative coverage over any environmental contamination on property when publicly issued, filed, or recorded government documents indicate that environmental contamination is above federal or state action levels.**]**
[OPTION - Write Your Own]

(2) Mortgagee's Title Policy insuring lender and assigns
[OPTION - in the amount of $**[Amount]**,**]**
[OPTION - policy to be without standard survey exception,**]**
[OPTION - policy to be without exception to Homestead, Survey or Taxes,**]**
[OPTION - Policy must reflect that all taxes and municipal liens have been brought current or paid.**]**
[OPTION - Such policy must contain no exceptions for parties in possession,

mechanic's or materialman's liens, or matters which would be disclosed by an accurate survey.**]**
[OPTION - Policy will not contain an M.G.L. Section 21(e) exception unless a detailed engineering study satisfactory to Lender is submitted prior to closing.**]**
[MUST APPEAR if R/E located in VT - Policy must provide affirmative coverage over any environmental contamination on property when publicly issued, filed, or recorded government documents indicate that environmental contamination is above federal or state action levels.**]**

(3) Attorney's certificate of title or title opinion in favor of lender and assigns certifying that lender has obtained the required lien position.
[OPTION - Certificate or opinion will not contain a survey exception or an M.G.L. Section 21(e) exception unless a detailed engineering study satisfactory to Lender is submitted prior to closing.**]**
[MUST APPEAR if R/E located in VT - Certificate or opinion must address that the real property and its use are in compliance with state and federal environmental laws and regulations, as well as zoning, subdivision and land use laws, as determinable from all relevant publicly issued, filed or recorded governmental documents.**]**

(4) Title insurance customarily obtained for similar transactions in this jurisdiction.

(5) Title and/or Lien Search or other evidence of proper ownership and lien position.

(6) CLTA Loan Policy.

(7) Limited Title Policy.

(8) Property, Judgment and Lien Report indicating that lender has obtained the required position.

In addition to the above, a "write your own" option is provided in case a survey or other endorsement is required

(9) **[Write Your Own]**

The following paragraph (LANDLORD'S WAIVER) is optional

SOP 50-10(4), pg.91-92, Subpart "A", Chapter 2, Paragraph1.h.(5) - Requirements for Collateral on leased land

p. Lender must obtain a written agreement from all Lessors (including sublessors) agreeing to: (1) Subordinate to Lender Lessor's interest, if any, in this property; (2) Provide Lender written notice of default and reasonable opportunity to cure the default; and (3) Allow Lender the right to take possession and dispose of or remove the collateral.

*The following paragraphs must appear in **504 Authorizations only** when collateral is Project Property.*

q. CDC must obtain in recordable form written subordination agreements from any tenants occupying any of the Project real property required as collateral. Appropriate subordination language may be included in the Lease as an alternative.

r. At the time of Closing, either:

(1) there must be no contractor's, mechanic's or materialman's lien on the Property, including a lien which might possibly be filed after Closing, which would impair the

stated priority of the CDC/SBA lien, and there must be no other circumstances adversely affecting the value of the property; or,

(2) no exception for these in the title insurance commitment/policy, or

(3) The title insurance company must provide affirmative coverage to CDC and SBA over any such exceptions, affording reasonably adequate protection against material loss arising from such exceptions. In addition, the title insurance company must provide such endorsements as CDC or SBA deems necessary to protect CDC and SBA reasonably against material loss arising from any other exceptions. In states where a survey is customarily provided for title insurance coverage, Borrower must also provide a survey certified to SBA/CDC, or a prior survey acceptable to SBA/CDC and the title insurer and a satisfactory survey affidavit of no change.

6. Leasehold Security Interest in building on leased land

[SELECT - First, Second, etc.] Leasehold Security Interest (including due on sale clause) in building on leased land located at **[address of property]**.

The following must appear if junior lien position.

a. Subject to lien(s) totaling not more than $**[Amount]]**.

The following must appear if junior lien position.

b. Subject only to prior lien(s) as follows:

(1) First: **[name of lienholder] [SELECT -** in the amount of $**[amount] - OR -** in the present amount of $**[amount]**, with a revolving provision limited to a total principal outstanding of $**[amount]]**.

(2) Second: **[name of lienholder] [SELECT -** in the amount of $**[amount] - OR -** in the present amount of $**[amount]**, with a revolving provision limited to a total principal outstanding of $**[amount]]**.

(3) **[etc., up to four]**.

The following paragraphs must always appear.

c. Remaining term of lease, including options to renew exercisable solely by the Borrower, must cover term of Loan **[OPTION -** plus **[number of years]** year(s)**]**.

d. Lease must contain clauses providing for the following:

(1) Tenant's right to encumber leasehold estate;

(2) No modification or cancellation of lease without lender's or assignee's approval;

(3) Lender's or assignee's right to acquire the leasehold at foreclosure sale or by assignment and right of reassignment of the leasehold estate (along with right to exercise any options) by lender or successors;

(4) Lender's or assignee's right to sublease;

(5) Lender's or assignee's rights upon default of the tenant or termination of the lease. This would include notice, extended time to cure (at least 60 days), time allotted for foreclosure and sale, and procedures for non-monetary defaults;

(6) Lender's or assignee's rights to hazard insurance proceeds resulting from damage to improvements;

(7) Lender's or assignee's right to share in condemnation proceeds.

e. Lender must obtain Lessor's written consent and subordination to the fixture filing.

7. Lessee's Interest in a Lease by Assignment

Collateral Assignment of Lessee's Interest in the Lease between **[Lessor's name]**, Lessor, and **[Lessee's name]**, Lessee, **[OPTION -** dated **[date of lease]]** for the premises located at **[address of leased premises]**, including right of reassignment, Lessor's consent to the assignment and agreement to subordinate its interest in any property which is collateral for the Loan. Remaining term of lease, including options to renew exercisable solely by the Borrower, must cover term of Loan **[OPTION -** plus **[number of years]** year(s)**]**. Lease must require Lessor to provide Lender/SBA **[number of days - default is 60]**-day written notice of intent to terminate the lease for Borrower's default and an opportunity to cure.

8. Lessee's Interest in a Lease by Lien, Mortgage or Deed of Trust

[SELECT - First, Second, etc.] Lien, Mortgage or Deed of Trust on Lessee's interest (including due on sale clause) in the lease between **[Lessor's name]**, Lessor, and **[Lessee's Name]**, Lessee, **[MUST APPEAR if not a first lien position -** subject to lien(s) totaling not more than $**[Amount]]**. This property is **[SELECT -** residential **- OR -** commercial **- OR -** agricultural**]**. The terms of the lease or the lien instrument must include a right of reassignment, Lessor's consent to the assignment and agreement to subordinate its interest in any property which is collateral for the Loan. Remaining term of lease, including options to renew exercisable solely by the Borrower, must cover term of Loan **[OPTION -** plus **[number of years]** year(s)**]**. Lease must require Lessor to provide Lender/SBA **[number of days - default is 60]**-day written notice of intent to terminate the lease for Borrower's default and an opportunity to cure.

9. Leasehold on Tribal Land

Assignment of Leasehold on Tribal Land. **[SELECT -** First**,** Second**, etc.]** Assignment, with right of reassignment, of all of Borrower's rights and interests in and to a certain Lease between Borrower (as Lessee) and **[name of Indian tribe]** Indian Tribe (as Lessor) covering premises located at **[location of leasehold]**, **[MUST APPEAR if not a first lien position -** subject to lien(s) totaling not more than $**[Amount]]** to include written consent of the Tribal Council and the Secretary of the Interior. Remaining term of lease, including options to renew exercisable solely by the Borrower, must cover term of Loan **[OPTION -** plus **[number of years]** year(s)**]**.

10. Cooperative Apartment

[SELECT - First, Second, etc.] Security Interest in Cooperative Apartment located at **[property address]**, including an Assignment of Proprietary Lease to Premises and pledge of shares of stock in Cooperative Apartment, subject to recognition of lien by Cooperative Association/Corporation. A Uniform Commercial Code lien search evidencing the required lien position is required.

C. Security Interests

1. Personal Property

This section should be used more than once if different lien positions are taken on different kinds of personal property.

For Puerto Rico Chattel Mortgage only: the text 'perfected security interest' will be replaced with 'chattel mortgage'.

[SELECT - First, Second, etc.] perfected security interest, [MUST APPEAR if first lien position - subject to no other liens] in the following personal property (including any proceeds and products), **[SELECT -** whether now owned or later acquired **- OR -** acquired with loan proceeds, including all replacements and substitutions **- OR -** whether now owned or later acquired or acquired with loan proceeds, including all replacements and substitutions**]**, wherever located:

[OPTION - Equipment;**]**

[OPTION - Fixtures;**]**

[OPTION - Inventory;**]**

[OPTION - Accounts;**]**

[OPTION - Instruments;**]**

[OPTION - Chattel Paper;**]**

[OPTION - General Intangibles;**]**

[OPTION - Farm Products - Crops growing or to be grown, their products, and all accounts or general intangibles arising from their sale ;**]**

[OPTION - Farm Products - All livestock now owned, in gestation and later acquired, including their products and natural increase, if any;**]**

[OPTION - Write Your Own]

If junior lien position, select one or more of the following options (a, b, and c).

Note : Options a and c can be repeated if necessary

a. Subject only to the prior lien of **[prior lienholder]** in the amount of $**[Amount]** on the following collateral: **[SELECT from list of personal properties selected above]**

b. Any prior lien that is open ended as to future advances must be closed, in writing, according to applicable state law.

c. Subject only to the interest of **[lender's name]** under a Line of Credit in the maximum amount of $**[Amount]** on the following collateral: **[SELECT from list of personal properties selected above]**

The following paragraph (LANDLORD'S WAIVER) is optional

d. Lender must obtain a written agreement from all Lessors (including sublessors) agreeing to: (1) Subordinate to Lender Lessor's interest, if any, in this property; (2) Provide Lender written notice of default and reasonable opportunity to cure the default; and (3) Allow Lender the right to take possession and dispose of or remove the collateral.

The following paragraph must appear if equipment or fixtures is selected above

e. Lender must obtain a list of all equipment and fixtures that are collateral for the Loan. For items with a unit value of $5,000 or more, the list must include a description and serial number, if applicable.

The following paragraph must always appear

f. Lender must obtain an appropriate Uniform Commercial Code lien search evidencing all required lien positions. If UCC search is not available, another type of lien search may be substituted.

*The following paragraph must appear in **7(a) Authorizations only** if junior lien position*

g. Lender must take a purchase money security interest in all personal property acquired with Loan proceeds.

*The following paragraphs must appear in **504 Authorizations only** when collateral is Project Property.*

h. At the time of Closing, there must be no circumstances adversely affecting the value of the property. There must be no lien on the Property, including a lien which might possibly be filed after Closing, which impairs the stated priority of the CDC/SBA lien.

2. Liquor License

[SELECT - First, Second, etc.] Security interest in [SELECT - Liquor License #[License number] and the proceeds of any sale of the license **- OR - Proceeds of the sale of Liquor License #[License number]]**.

The following must appear if first lien position.

a. subject to no other liens.

The following must appear if junior lien position.

b. subject only to prior lien(s) as follows:

(1) First: **[name of lienholder]** in the amount of $**[amount]**

(2) Second: **[name of lienholder]** in the amount of $**[amount]**

(3) [etc., up to four]

3. Vehicle

[SELECT - First, Second, etc.] Security Interest on the following Vehicle - Make or Model: [INPUT], Year: [INPUT].

The following must appear if first lien position.

a. subject to no other liens.

The following must appear if junior lien position.

b. subject only to prior lien(s) as follows:

(1) First: **[name of lienholder]** in the amount of $**[amount]**

(2) Second: **[name of lienholder]** in the amount of $**[amount]**

(3) [etc., up to four]

4. Mobile Home

[SELECT - First, Second, etc.] Security Interest in a Mobile Home, Serial Number **[serial number]**, owned by **[record owner]** located at **[property address]**.

The following must appear if first lien position.

a. subject to no other liens.

The following must appear if junior lien position.

b. subject only to prior lien(s) as follows:

(1) First: **[name of lienholder]** in the amount of $**[amount]**

(2) Second: **[name of lienholder]** in the amount of $**[amount]**

(3) [etc., up to four]

5. Aircraft

[SELECT - First, Second, etc.] Perfected Security Agreement recorded with the Federal Aviation Administration (FAA) Oklahoma City, Oklahoma, against the following aircraft - Make: **[make]**, Model: **[model]**, Year: **[year]**.

The following must appear if first lien position.

a. subject to no other liens.

The following must appear if junior lien position.

b. subject only to prior lien(s) as follows:

(1) First: **[name of lienholder]** in the amount of $**[amount]**

(2) Second: **[name of lienholder]** in the amount of $**[amount]**

(3) [etc., up to four]

The following paragraph always appears

c. Lender must verify title and lien position by Certificate.

6. Vessel

[SELECT - First, Second, etc.] Preferred Ship's Mortgage recorded with the U.S. Coast Guard against the vessel named **[name of vessel]**, and noted on the vessels' official log.

The following must appear if first lien position.

a. subject to no other liens.

The following must appear if junior lien position.

b. subject only to prior lien(s) as follows:

(1) First: **[name of lienholder]** in the amount of $**[amount]**

(2) Second: **[name of lienholder]** in the amount of $**[amount]**

(3) [etc., up to four]

The following paragraph always appears

c. Lender must verify lien position by Certificate issued by U.S. Coast Guard.

*The following paragraphs must appear in **504 Authorizations only** when collateral is Project Property.*

d. At the time of Closing, there must be no circumstances adversely affecting the value of the property. There must be no lien on the Property, including a lien which might possibly be filed after Closing, which impairs the stated priority of the CDC/SBA lien.

D. Assignments of Interest

1. Certificate of Deposit

Assignment of certificate of deposit held by **[owner of CD]** in the amount of $**[Amount of CD]**, with acknowledgment from the issuing financial institution.

2. Mutual Fund

Assignment of Mutual Fund Interest: Assignment to Lender by **[shareholder]** (shareholder) of all interest in **[name of Mutual Fund account]**. Lender must obtain acknowledgment of such assignment from the broker or Mutual Fund.

3. Corporate Stock (by pledge)

Pledge of Corporate Stock: Pledge to Lender by **[shareholder]** (shareholder) of **[number of shares]** shares of stock (but not voting rights) in **[name of company]**.

4. Note

Assignment of note dated **[date of note],** executed by **[Input]** to **[Input]** with approximate balance due of $**[Amount of balance due] [OPTION -** and assignment of: **[Reverts to full list of collateral conditions to select]]**

5. Contract

Contract Assignment: A valid assignment and first security interest covering all proceeds under contract dated **[date of contract]** between Borrower and **[name of other party to contract]** in the amount of $**[Amount]**.

6. Government Contract

U.S. Government Contract Assignment and Notice of Assignment: Assignment of monies due or to become due under federal contract number **[contract number]** with the **[name of agency]** in the amount $**[Amount of contract]** and any subsequent modifications or additions. Lender must perfect the assignment pursuant to Federal Acquisition Regulations.

7. U.S. Patent

Assignment of U.S. patent number **[patent number]** issued to **[patent holder]**. Lender must comply with U.S. Patent and Trademark laws.

8. Franchise Agreement

SOP 50-10(4), pg. 112-113, Subpart "A", Chapter 5, Paragraph 6.f. - SBA Franchise Requirements

Assignment of Franchisee's Interest. Franchisor must agree to allow Franchisee to assign the Franchise Agreement for security purposes with rights of reassignment.

Appendix B
State-specific Options in the Standard Collateral Conditions

This appendix describes, for every U.S. state, the state-specific options available in the following collateral conditions :

1. Lien On Land And Improvements
2. Collateral Assignment of (or lien on) Purchaser's Interest in Land Contract of Sale
3. Assignment of Beneficial Interest and Power of Direction in Land Trust

These state-specific options are divided into 3 categories:

(a) Type(s) of Lien Instrument;
(b) Available Boilerplate options;
(c) Available Evidence of title options.

The "**Evidence of Title options**" are indexed as follow. Refer to Appendix A for the full text.

(1) ALTA Loan Policy insuring lender and assigns
(2) Mortgagee's Title Policy insuring lender and assigns
(3) Attorney's Certificate of title, or title opinion in favor of lender (...)
(4) Title Insurance customarily obtained for similar transactions in this state
(5) Title and/or Lien Search, or other evidence of proper ownership (...)
(6) CLTA Loan Policy
(7) Limited Title Policy
(8) Property, Judgment and Lien Report indicating lender obtained required position

The "**Boilerplate options**" are indexed as follow. Refer to Appendix A for the exact text.

(1) (index not used)
(2) Any prior lien that is open ended as to future advances must be closed, in writing, according to applicable state law. The revolving line(s) of credit set out above, if any, must be limited in writing to the amount stated.
(3) Lender must obtain a written agreement from prior lienholders to provide Lender with [Number of days] days written notice before commencing foreclosure of prior lien.
(4) Lender to file a Request for Notice pursuant to state law.
(5) Written waiver of homestead required (Residential property only).
(6) Lender must obtain from prior lienholders written verification (a) of amount owing on prior obligation, (b) that Borrower is current on payments, and (c) that Borrower is not otherwise in default.
(7) Written waiver of redemption rights required on non-residential property.
(8) Survey, certified to Lender, is required, or prior survey and affidavit of no change acceptable to Lender.
(9) Written Designation of Business Homestead required.
(10) Statement of non-homestead required.

List of options by state

Alabama

Instrument: Mortgage
Evidence of Title: (3) (4) (5)
Boilerplate options: (6) (10)

Alaska

Instrument: Deed of Trust
Evidence of Title: (1) (2) (5)
Boilerplate options: (2) (3) (6)

Arizona

Instrument: Deed of Trust
Evidence of Title: (1) (2) (5)
Boilerplate options: (2) (6)

Arkansas

Instrument: Mortgage, Deed of Trust
Evidence of Title: (1) (2) (5)
Boilerplate options: (2) (3) (5) (6) (10)

California

Instrument: Deed of Trust
Evidence of Title: (1) (6) (7) (4) (5)
Boilerplate options: (2) (4) (6)

Colorado

Instrument: Deed of Trust
Evidence of Title: (1) (5)
Boilerplate options: (2) (6) (10)

Connecticut

Instrument: Mortgage
Evidence of Title: (1) (2) (3) (5)
Boilerplate options: (2) (5) (6)

Delaware

Instrument: Mortgage
Evidence of Title: (4) (5)
Boilerplate options: (2) (6) (10)

Florida

Instrument: Mortgage
Evidence of Title: (1) (5)
Boilerplate options: (2) (6) (10)

Georgia

Instrument: Deed to Secure Debt
Evidence of Title: (1) (3) (4) (5)
Boilerplate options: (2) (3) (6)

Guam

Instrument: Mortgage
Evidence of Title: (4) (5)
Boilerplate options: (6) (10)

Hawaii

Instrument: Mortgage
Evidence of Title: (4) (5)
Boilerplate options: (6)

Idaho

Instrument: Deed of Trust, Mortgage
Evidence of Title: (1) (5)
Boilerplate options: (6)

Illinois

Instrument: Mortgage
Evidence of Title: (1) (3) (5)
Boilerplate options: (2) (5) (6) (7) (10)

Indiana

Instrument: Mortgage
Evidence of Title: (2) (5)
Boilerplate options: (2)

Iowa

Instrument: Mortgage
Evidence of Title: (3) (5)
Boilerplate options: (2) (5) (6)

Kansas

Instrument: Mortgage
Evidence of Title: (1) (2) (3) (4) (5)
Boilerplate options: (2) (6) (7) (10)

Kentucky

Instrument: Mortgage
Evidence of Title: (2) (3) (4) (5)
Boilerplate options: (2) (3) (6)

Louisiana

Instrument: Mortgage
Evidence of Title: (2) (5)
Boilerplate options: (2) (3) (5) (6) (10)

Maine

Instrument: Mortgage
Evidence of Title: (1) (2) (3) (5)
Boilerplate options: (2) (6)

Maryland

Instrument: Deed of Trust; Indemnity Deed of Trust (when securing guarantee)
Evidence of Title: (2) (3) (8) (5)
Boilerplate options: (2) (3)

Massachusetts

Instrument: Mortgage
Evidence of Title: (1) (2) (3) (5)
Boilerplate options: (2) (6) (10)

Michigan

Instrument: Mortgage
Evidence of Title: (1) (5)
Boilerplate options: (2) (3)

Minnesota

Instrument: Mortgage
Evidence of Title: (1) (2) (3) (4) (5)
Boilerplate options: (2) (4) (6) (10)

Mississippi

Instrument: Deed of Trust
Evidence of Title: (1) (3)
Boilerplate options: (2) (3) (5) (6) (10)

Missouri

Instrument: Deed of Trust
Evidence of Title: (1) (2) (3) (4) (5)
Boilerplate options: (2) (4) (6)

Montana

Instrument: Montana Trust Indenture, Mortgage
Evidence of Title: (1)
Boilerplate options: (2) (3) (5) (10)

Nebraska

Instrument: Deed of Trust
Evidence of Title: (1) (2) (3)
Boilerplate options: (2) (4) (6) (10)

Nevada

Instrument: Deed of Trust
Evidence of Title: (1) (2) (3)
Boilerplate options: (2) (4) (5) (6) (10)

New Hampshire

Instrument: Mortgage
Evidence of Title: (1) (3)
Boilerplate options: (2) (3) (5) (6) (10)

New Jersey

Instrument: Mortgage
Evidence of Title: (2)
Boilerplate options: (6) (10)

New Mexico

Instrument: Mortgage
Evidence of Title: (1)
Boilerplate options: (2) (10)

New York

Instrument: Mortgage
Evidence of Title: (1) (2) (3) (4) (5) (8)
Boilerplate options: (2) (3) (6)

North Carolina

Instrument: Deed of Trust
Evidence of Title: (1) (2) (3) (4)
Boilerplate options: (2) (4) (6)

North Dakota

Instrument: Mortgage
Evidence of Title: (2) (3)
Boilerplate options: (2) (5) (6) (10)

Ohio

Instrument: Mortgage
Evidence of Title: (2) (3) (5)
Boilerplate options: (2) (6)

Oklahoma

Instrument: Mortgage
Evidence of Title: (1) (2) (3) (4) (5)
Boilerplate options: (2) (6) (10)

Oregon

Instrument: Deed of Trust, Mortgage
Evidence of Title: (1) (4) (5)
Boilerplate options: (2) (6)

Pennsylvania

Instrument: Mortgage
Evidence of Title: (4) (5)
Boilerplate options: (2) (6) (10)

Puerto Rico

Instrument: Mortgage
Evidence of Title: (2) (5)
Boilerplate options: (2) (6)

Rhode Island

Instrument: Mortgage
Evidence of Title: (2) (3) (4) (5)
Boilerplate options: (2) (3)

South Carolina

Instrument: Mortgage
Evidence of Title: (1) (2) (3) (5)
Boilerplate options: (2) (3) (6)

South Dakota

Instrument: Mortgage
Evidence of Title: (1) (5)
Boilerplate options: (2) (5) (6) (10)

Tennessee

Instrument: Deed of Trust
Evidence of Title: (1) (3)
Boilerplate options: (2) (3) (6) (8) (10)

Texas

Instrument: Deed of Trust
Evidence of Title: (2) (5)
Boilerplate options: (2) (3) (5) (6) (9) (10)

Utah

Instrument: Deed of Trust
Evidence of Title: (1) (5)
Boilerplate options: (2) (4) (6)

Vermont

Instrument: Mortgage
Evidence of Title: (1) (2) (3) (5)
Boilerplate options: (2) (3) (5) (6) (10)

Virginia

Instrument: Deed of Trust
Evidence of Title: (1) (3) (5)
Boilerplate options: (2) (3) (6)

Washington

Instrument: Deed of Trust, Mortgage
Evidence of Title: (1) (2)
Boilerplate options: (2) (6)

Washington DC

Instrument: Deed of Trust
Evidence of Title: (4) (5)
Boilerplate options: (2) (3) (6) (10)

West Virginia

Instrument: Deed of Trust, Mortgage
Evidence of Title: (3) (5)
Boilerplate options: (2) (3) (4) (6)

Wisconsin

Instrument: Mortgage
Evidence of Title: (1) (5)
Boilerplate options: (2) (3) (6) (10)

Wyoming

Instrument: Mortgage
Evidence of Title: (1) (2) (4) (5)
Boilerplate options: (5) (6) (10)

Exceptions to the above list

- If available in a state, Boilerplate option (5) is available only for residential real property.
- If available in a state, Boilerplate option (7) is available only for commercial real property.
- The following boilerplate options are not available with a first lien position: (2) (3) (4) (6)
- In 504 Authorizations, if real property is project property, Evidence of Title option (1) must be used except in the following state, where it is : Iowa: (3); North Dakota: (1) (2); Texas: (2)

Appendix C
Frequently-Asked Questions (FAQ's)

This appendix is a compilation of frequently-asked questions (FAQ's) relating to the Boilerplate.
For questions relating to the operation of the Wizard, refer to the FAQ section of the "504 Wizard Help Topics" available from the 504 Wizard menu.

What should you do if you don't find the answer to your question in this FAQ?

Additional FAQ's published after the release date of this document will be posted on SBA's intranet and banking web site (http://www.sba.gov/banking).

SBA has created an Exchange Mailbox - "Auth-504" to receive and respond to questions raised by SBA employees. SBA employees should first submit questions, comments and suggestions through their supervisory financing personnel or counsel, who may be able to resolve the issue locally.

CDCs should submit comments and suggestions through their local SBA office.

Index of Questions:

Page C-

1. What if Authorization provisions conflict with SOP 50-10(4)? 2
2. How will subsequent modifications to the Authorization be distributed to the field? 2
3. What is the amount of the Interim Loan in paragraph B.2.a., which is automatically filled in with the same amount as the net debenture proceeds? 2
4. What is the difference between the Borrower's Contribution (B.5.) and Additional Injection (E.5.)?2
5. Must the borrower have separate counsel? 2
6. Can you include additional forms in section "D. Required Forms"? 3
7. Why doesn't SBA instruct CDCs how to obtain insurance, perfect liens or meet other requirements in the Authorization? 3
8. Why doesn't the Authorization specify how to perfect a lien for each piece of real estate taken as collateral or specify which signatures a CDC must obtain for rental property ? 3
9. Why are machinery, furniture and business assets not collateral categories in the lien provisions? ...4
10. Can I remove the extraneous documents in the "Borrower, Guarantor and Operating Company Documents" section? 4
11. Why does the Authorization have the SBA Logo instead of the SBA Seal? 4
12. Why was the Administrator's name omitted from the SBA signature block? 4
13. How is the SBA Loan Name determined? 4
14. What is SBA's Environmental Policy? 5
15. How does a CDC or SBA loan officer add loan specific provisions to the Authorization? 5

1. What if Authorization provisions conflict with SOP 50-10(4)?

If you discover an apparent conflict, please send an e-mail to "Auth-504" mailbox describing the conflict and stating the SOP paragraph and the authorization paragraph which you believe conflict. You must continue to use the Boilerplate. The Boilerplate reflects current SBA policy. OGC and OFA have reviewed and approved the Boilerplate. The Boilerplate is considered an Appendix to SOP 50-10(4). The Boilerplate will be updated from time to time to reflect policy changes in subsequent regulations, Notices, or SOPs.

2. How will subsequent modifications to the Authorization be distributed to the field?

The Authorization will be modified periodically to address state-specific issues, implement policy changes, and correct "glitches".

Future updates to the Authorization will be available at http://www.sba.gov/banking. OCIO will download copies automatically to each processing office's LAN with notification via SBA information channels. SBA offices also will be able to obtain the files from the above web site or via SBA's Intranet.

CDCs should check the SBA web site or with their local SBA office periodically to insure they have the latest version of the Authorization. Once SBA releases a new version, there will be a 30-day grace period to begin using the new version. If you are using the Wizard, the version is printed in the footer of each authorization document, or the version can be seen by selecting the 'About 504 Wizard' option in the 504 Wizard menu. It is also printed on the first page of the Boilerplate.

3. What is the amount of the Interim Loan in paragraph B.2.a., which is automatically filled in with the same amount as the net debenture proceeds?

The Interim Loan amount is the amount of interim financing that will be paid off by the sale of the debenture. This is the amount that the CDC and SBA have agreed to finance as part of the project. Any interim financing that will become permanent after the project is completed should be accounted for in the paragraphs covering the Permanent Third Party Lender's Loan.

4. What is the difference between the Borrower's Contribution (B.5.) and Additional Injection (E.5.)?

The "Borrower's Contribution" in Section B.4 is the borrower's participation in the 504 project. The "Additional Injection" in Additional Conditions II, Section E.5. is an additional equity injection into the Borrower's business that SBA/CDC may require for the Borrower to be credit worthy. The "Additional Injection" provision specifies the amount and type of injection.

5. Must the borrower have separate counsel?

SBA does not require that borrowers have separate counsel to opine on the validity of loan documents.

SBA does require CDC Counsel to opine that:

1. all borrower or guarantor entities (other than natural persons) are properly organized, in good standing, validly existing, and have the authority to borrow or guarantee; and

2. the documents executed by borrowers and guarantors have been authorized, executed, and delivered by an authorized person, and are valid and binding obligations, enforceable in accordance with their respective terms.

SBA will amend the current mandatory Opinion of CDC Counsel form to include these requirements. Until this change is made, CDC Counsel should include an opinion on these matters as an addition or addendum to the Opinion of CDC Counsel.

SBA/CDC may require CDC Counsel to opine on other additional matters related to a specific loan.

SBA does not prohibit CDCs from requiring borrowers to have separate counsel. For a number of reasons, the Borrower, CDC or CDC Counsel may prefer that the borrower have separate counsel. If a borrower has separate Counsel, borrower's Counsel must opine on the above matters. CDC Counsel may rely on that opinion.

6. Can you include additional forms in section "D. Required Forms"?

The Boilerplate lists all SBA required forms. (The 504 Wizard automatically adds SBA Forms 148 and 148L when applicable.)

The SBA Deed of Trust and Mortgage are no longer required forms. CDCs may use their own lien instruments, which must comply with legal requirements and prudent lending practices. If they do, they must add to all lien instruments the federal law and arbitration provisions required in the Collateral section of the Authorization. This language must also be added to the SBA Deed of Trust and Mortgage forms if the CDC chooses to use these forms. The federal law provisions stating that the lien instrument is to be construed in accordance with federal law if SBA is enforcing the Note protects SBA if the CDC assigns its loan documents to SBA for enforcement. The arbitration clause is necessary to protect SBA from binding arbitration clauses found in some local forms.

The SBA Standby Creditor's Agreement also is no longer a required form. CDCs may use the revised Form 155 or a substantially equivalent form. The Revised Form 155 is available on SBA's Intranet, and on the SBA internet banking site at http://www.sba.gov/banking.

SBA offices may not require CDCs to use any local forms.

7. Why doesn't SBA instruct CDCs how to obtain insurance, perfect liens or meet other requirements in the Authorization?

The Authorization gives a CDC the requirements that must be met for SBA to guarantee a loan. It does not instruct the CDC how specifically to meet those requirements. CDCs are responsible for knowing how to properly close loans, secure collateral, and obtain and perfect the required lien positions. They are held to the same prudent lending standard as other SBA Lenders. CDCs must follow SBA's regulations and SOP requirements.

8. Why doesn't the Authorization specify how to perfect a lien for each piece of real estate taken as collateral or specify which signatures a CDC must obtain for rental property ?

The Boilerplate notifies CDCs that they must obtain "the signature or written consent of any obligor's spouse if such consent or signature is necessary to bind the marital community or create a valid lien on marital property." SBA holds CDCs responsible for knowing how to create and properly perfect a lien on

property required by the Authorization. The Authorization gives a CDC the requirements that must be met for SBA to guarantee the debenture that funds the CDC loan to the borrower. It does not instruct the CDC on how to meet those requirements. The CDC, not SBA, must determine the legal ownership of a piece of real estate and determine what signatures must be obtained to create enforceable documents.

An SBA office may give CDCs a Closing Checklist addressing local requirements and provide closing guidelines. Samples of Closing Checklists used in several offices are available on SBA's Intranet.

9. Why are machinery, furniture and business assets not collateral categories in the lien provisions?

The Boilerplate provisions for personal property collateral use the defined terms in the Uniform Commercial Code (Code) for property categories. The Code states which types of property fall into each category. Machinery, furniture and business assets are included in one or more of the defined collateral categories. For example, machinery and furniture are defined as equipment under the Code. If you cannot determine the appropriate option(s), consult with counsel.

10. Can I remove the extraneous documents in the "Borrower, Guarantor and Operating Company Documents" section?

No. The Authorization intentionally lists documents required for all types of legal entities. Borrowers, Guarantors and Operating Companies frequently change their legal structures between the time the authorization is issued and the loan is closed. The list tells a CDC what is required for each entity and accommodates changes in organization that are made before closing. CDCs should inform SBA of any changes and should submit material changes for SBA review and approval.

11. Why does the Authorization have the SBA Logo instead of the SBA Seal?

SBA Headquarters selected the Logo instead of the Seal. All revised SBA documents will use this Logo at the top of the document.

12. Why was the Administrator's name omitted from the SBA signature block?

The Authorization is signed on behalf of the "Administrator", whomever that may be at the time. The name is not a necessary part of the official document. Eliminating the name avoids changing the document when there is a new Administrator.

13. How is the SBA Loan Name determined?

Choose the first available name from this list:

a. dba of the Operating Company
b. name of the Operating Company
c. dba of the Borrower
d. name of the Borrower

In the case of multiple borrowers or operating companies, apply the same rule, using the first operating company or borrower listed by the Loan Officer.

14. What is SBA's Environmental Policy?

SBA's Environmental Policy is in SOP 50-10(4), Subpart "A", Chapter 5, Paragraph 7. CDCs must be familiar with this policy. Basic environmental conditions are set forth in the National 504 Authorization Boilerplate. CDCs should consult with the local SBA office where the real property is located to ascertain any state or local requirements to be added to the authorization. Except for PCLP loans, CDCs must submit the results of the Environmental Investigation to the SBA. If it is not submitted to the processing office at the time of application, then it must be submitted prior to submitting the closing package to SBA. Except for PCLP loans, a CDC must not disburse a loan until SBA has reviewed the results of the investigation and is satisfied that the risk of potential environmental contamination has been sufficiently minimized. PCLP CDCs must comply with the environmental provisions of the SOP in conducting the environmental investigation and reach a conclusion that the risk of contamination is sufficiently minimized.

15. How does a CDC or SBA loan officer add loan specific provisions to the Authorization?

There is an OPEN OPTION for the processing office or CDC to add loan specific requirements. It is expected that CDC and SBA staff, including SBA counsel, will communicate closely in drafting these requirements. Any special condition created by a PCLP Lender must only be used one time before obtaining SBA approval of the language for use in other Authorizations. For more information on how to use the Open Options with the 504 Wizard, refer to the 504 Wizard Help available from the 504 Wizard menu.

Appendix D
Opinion of CDC Counsel

Read this first! This appendix contains the standardized text for the Opinion of CDC Counsel required by the Authorization. All paragraphs are mandatory except when noted otherwise. Paragraphs must be renumbered depending on which options are selected. All other comments should be self-explanatory (see also "Format Conventions" on page ii).

How to obtain this Appendix in MS-Word format:

A MS-Word document containing the text of this appendix is available. The document is called **D504v2006.doc**. That document is not a wizard and is not connected to the 504 Wizard. It is a standard MS-Word document that can be edited in the same manner as any MS-Word document.

If using the **504 Wizard**, D504v2006.doc should be located in your MS-Word document directory if the Wizard was installed locally. Use File - Open in MS-Word to access your document directory. If you are accessing the Wizard via a local area network, contact your network administrator to know where the document is located.

The document is also available on the **National 504 Authorization** Page on both SBA's intranet (YES!) and banking web site (located at http://www.sba.gov/banking).

To accommodate cases where a CDC Counsel is closing a loan in a state outside the CDC's State of Incorporation, the Opinion of CDC Counsel provides four options to cover various situations as defined below:

Option A – This option should be used if the Project is in the CDC's State of Incorporation and the CDC Counsel closing the loan is licensed in that State.

Option B – This option should be used if the Project is located outside the CDC's State of Incorporation and the CDC Designated Closing Counsel closing the loan is licensed in both States.

Option C – This option should be used when the Project is located outside the CDC's State of Incorporation, the CDC Designated Closing Counsel closing the loan is licensed only in the CDC's State of Incorporation and will be relying on an opinion of Counsel licensed in the Project State on state law issues. *Option C cannot be used without a waiver of policy from SBA allowing this option. CDC Designated Closing Counsel closing the loan should send waiver requests to the District Counsel in the state where the loan is being closed for recommendation and forwarding for approval to OGC.*

Option D – This option should be used when the Project is located outside the CDC's State of Incorporation, the CDC Designated Closing Counsel closing the loan is licensed only in the Project State and will be relying on an opinion of CDC Designated Closing Counsel licensed in the CDC's State of Incorporation for CDC authority and enforcement issues.

OPINION OF CDC COUNSEL

[Date]

District Counsel
U.S. Small Business Administration (SBA)
[District Office Name]
[Address]
[City], **[State]** **[Zip]**

Re: SBA Loan Name: **[Loan Name]**
SBA Loan Number: **[Loan Number]**
Borrower: **[Borrower Name]**
Loan/Debenture Amount: **[Loan Amount]**
Project Property: **[Project Property]**

Dear Sir or Madam:

We have acted as CDC Counsel to **[CDC Name]** (the "CDC") in connection with the closing of the referenced 504 Loan.

Paragraph A. is mandatory for Designated 504 Closing Attorneys representing Priority CDC's under the expedited closing procedures. See SOP 50-10(4), Subpart H, Chapter 22, Paragraph 7.
For all other 504 loan closings, paragraph A. is optional.

A. We certify that we currently have in effect the insurance coverage required by SOP 50-10(4), Subpart H, Chapter 22, Paragraph 7.c.

B. In rendering the opinions and representations expressed in this letter, we have examined and relied upon the accuracy of the following documents:

1. A copy of the executed Authorization for Debenture Guarantee, with any accompanying amendments (the "Authorization");

2. The original executed Debenture (SBA Form 1504), which is incomplete as to the interest rate and payment amount;

3. The original executed Note (SBA Form 1505), which is incomplete as to the interest rate, P & I amount, and amount of monthly payment, and which evidences a 504 Loan to Borrower from CDC in the above-referenced amount, together with an Assignment of the Note made by CDC to SBA (the "Note Assignment");

4. Copies of the executed note(s) to and deed of trust or mortgage in favor of **[Third Party Lender]** (the "Third Party Lender") in the **[SELECT -** aggregate amount **- OR -** amount**]** of $**[Third Party Lender Loan Amount]**, (the "Third Party Lender Loan");

Counsel must include from the following paragraphs (B.5. to B.31.) all the items appropriate to this transaction.

5. Copies of the executed note(s) to and deed of trust or mortgage in favor of **[Interim Lender]** (the "Interim Lender") in the **[SELECT -** aggregate amount **- OR -** amount**]** of $**[Interim Loan Amount]**, (the "Interim Loan");

6. All original executed Guarantees (SBA Form 148), executed by **[Guarantor1]** and **[Guarantor2]**, together with an Assignment of each Guarantee made by CDC to SBA (the "Guarantee Assignments"); **[Specify each Guarantee]**

7. The original executed deed of trust, from Borrower, as grantor, to **[Trustee]**, as trustee, for the benefit of CDC (the "Deed of Trust"), conveying certain property located in **[County]** County, **[State]**, as more particularly described in the deed of trust, as collateral, together with an original executed Assignment of the Deed of Trust made by CDC to SBA (the "Deed of Trust Assignment"); or

8. The original executed Mortgage, from Borrower, as mortgagor, to CDC, as mortgagee, (the "Mortgage"), designed to create a valid lien on certain property located in **[County]** County, **[State]**, as more particularly described in the Mortgage, as collateral, together with an original executed Assignment of the Mortgage made by CDC to SBA (the "Mortgage Assignment");

9. The original executed Assignment of Leases and Rents from Borrower to CDC (the "Assignment of Leases"), together with an original executed Reassignment of the Assignment of Leases made by CDC to SBA (the "Reassignment"); or

10. The original executed Assignment of Rents from Borrower to CDC (the "Assignment of Rents"), together with an original executed Reassignment of the Assignment of Rents made by CDC to SBA (the "Reassignment");

11. The original executed Security Agreement, from Borrower **[OPTION -** and Operating Company, if not a Co-borrower**]**, to CDC (the "Security Agreement"), together with an original executed Assignment of the Security Agreement made by CDC to SBA (the "Security Agreement Assignment");

12. The original Financing Statements for all personal property required by the Authorization as collateral, naming Borrower **[OPTION -** and Operating Company, if not a Co-borrower,**]** as debtor and CDC as secured party (the "Financing Statements"), together with the original Assignments of the Financing Statements made by CDC to SBA (the "Financing Statements Assignments");

13. **[Specify any other lien instruments required by the Authorization]**

14. The original executed Resolution of the Board of Directors of CDC (SBA Form 1528)

15. The original executed Corporate Resolution (SBA Form 160) of Borrower **[OPTION -** and of any corporate guarantors**]**;

16. The original executed Certificate as to Partners (SBA Form 160A) **[OPTION -** and any partnership guarantors**]**;

17. The original executed Resolution of Limited Liability Company Borrower **[OPTION -** and of any limited liability company guarantors**]**;

18. CDC Certificate and Articles of Incorporation

Option A [Project in CDC's State of Incorporation where CDC Closing Counsel is licensed]

[Select - Copies **- OR -** Certified copies**]** of the Certificate and Articles of Incorporation (as amended) of CDC as filed with **[Appropriate Authority of State of Incorporation]**, a copy of the current Bylaws (as amended) of CDC, and an original current good standing certificate from **[Appropriate Authority of State of Incorporation]** for CDC;

Option B [Project in State where CDC has Foreign Registration and CDC Designated Closing Counsel is licensed in both Project State and CDC's State of Incorporation.]

[Select - Copies **- OR -** Certified copies**]** of the Certificate and Articles of Incorporation (as amended) of CDC as filed with **[Appropriate Authority of State of Incorporation]**, a copy of the current Bylaws (as amended) of CDC, a certified copy of the Certificate of Registration as filed with **[Appropriate Authority of State of Foreign Registration]**, and original current good standing certificates from **Appropriate Authority of State of Incorporation]** and **[Appropriate Authority of State of Foreign Registration]** for CDC;

Option C [Project in State where CDC has Foreign Registration and CDC Designated Closing Counsel is only licensed in CDC State of Incorporation and is relying on an Attorney licensed in the Project State for an opinion on state law issues.]

Option 18.C. may only be used after CDC has obtained a waiver of policy from SBA to proceed without using a CDC Designated Closing Counsel in the project state to close the loan. CDC Designated Closing Counsel should send the waiver request to the District Counsel in the state where the loan is being closed for recommendation and forwarding to OGC for approval.

[Select - Copies **- OR -** Certified copies**]** of the Certificate and Articles of Incorporation (as amended) of CDC as filed with **[Appropriate Authority of State of Incorporation]**, a copy of the current Bylaws (as amended) of CDC, a certified copy of the

Certificate of Registration as filed with **[Appropriate Authority of State of Foreign Registration]**, and original current good standing certificates from **[Appropriate Authority of State of Incorporation]** and **[Appropriate Authority of State of Foreign Registration]** for CDC, and an opinion letter addressed to the undersigned from **[Attorney licensed in the Project State]**.

Option D [Project in State where CDC has Foreign Registration and CDC Designated Closing Counsel is only licensed in Project State and is relying on opinion of CDC Counsel licensed in CDC State of Incorporation for issues related to the CDC authority and documents.]

[Select - Copies **- OR -** Certified copies**]** of the Certificate and Articles of Incorporation (as amended) of CDC as filed with **[Appropriate Authority of State of Incorporation]**, a copy of the current Bylaws (as amended) of CDC, a certified copy of the Certificate of Registration as filed with **[Appropriate Authority of State of Foreign Registration]**, original current good standing certificates from **[Appropriate Authority of State of Incorporation]** and **[Appropriate Authority of State of Foreign Registration]** for CDC, and an opinion letter addressed to the undersigned from CDC's **[General or State of Incorporation Designated Closing Counsel]**.

19. The original executed CDC Certification (SBA Form 2101);
20. The original executed Certification(s) by Interim Lender;
21. The original executed Certification(s) by Third Party Lender;
22. The original executed Certification(s) by Borrower;

Insert item 23 if there is an Opinion of Borrower's Counsel; otherwise list as item 23 Borrower's organizational documents reviewed and relied upon.

23. The original executed Opinion of Borrower's Counsel;
24. The commitment for an ALTA loan policy of title insurance issued by **[Title Company]** (the "Title Company") in the amount of $**[Amount]** effective as of **[Date]**; and the following title and lien searches, with copies of attachments, including all recorded easements, covenants, restrictions, and other exceptions (including conditions shown by a survey):
    a) **[Specify any State and county lien searches, and any UCC lien searches by title company/searcher and date, and any other title insurance policy reviewed]**
25. **[SELECT -** Copy of a survey **- OR -** An original survey**]** certified to CDC and SBA, or a prior survey acceptable to CDC, SBA, and the title insurer, and a survey affidavit of no change **[OPTION -** in those jurisdictions where a survey customarily is provided for title insurance coverage**]**;
26. An original certification or affidavit of ownership and/or other pertinent documentation (such as bills of sale, invoices, and/or purchase orders) from Borrower relating to ownership of the **[Describe any specific equipment or other personal property collateral]**.

Item 27 can be omitted if it is already part of item 22

27. Original Federal and state tax lien reports or certificates issued by **[describe issuer of report]**;
28. The original executed Servicing Agent Agreement (SBA Form 1506);

Insert item 29 if CDC uses a Loan Agreement

29. Original executed Loan Agreement;

30. **[Specify any other documents unique to the specific 504 Loan, such as a deed of trust on other real estate.]**

C. We also have examined such other documents and information, including the provisions of the Small Business Act, as amended, and the Small Business Investment Act of 1958, as amended, and the regulations issued under them, the corporation law (including non-profit corporation law, if applicable) of the State of

Option A [Project in CDC's State of Incorporation where CDC Closing Counsel is licensed]

- **[State of Incorporation]**

Option B [Project in State where CDC has Foreign Registration and CDC Designated Closing Counsel is licensed in both Project State and CDC's State of Incorporation]

- **[State of Incorporation and State of Foreign Registration]**

Option C [Project in State where CDC has Foreign Registration and CDC Designated Closing Counsel is licensed only in CDC's State of Incorporation]

- **[State of Incorporation]**

Option D [Project in State where CDC has Foreign Registration and CDC Designated Closing Counsel is only licensed in Project State]

- **[State of Foreign Registration]**

and other applicable Federal and state laws and regulations as are necessary or appropriate, in accordance with prudent legal practice, to enable us to form the opinions and make the representations expressed in this letter.

D. Based upon the foregoing, we are of the opinion, as of the date of this letter, that:

1. CDC Authority to Do Business

Option A [Project in CDC's State of Incorporation]

CDC is a **[OPTION -** non-profit**]** corporation duly organized, in good standing, and validly existing under the laws of **[State of Incorporation]**;

Option B [Project in State where CDC has Foreign Registration]

CDC is a **[OPTION -** non-profit**]** corporation duly organized, in good standing, and validly existing under the laws of **[State of Incorporation]** and is registered as a foreign corporation in good standing under the laws of **[State of Foreign Registration];**

2. The Debenture has been duly authorized, executed and delivered by an authorized officer of CDC and, when the principal amount stated in the Debenture, less fees and expenses, has been disbursed on behalf of CDC or its assigns and Borrower, and when the Debenture is appropriately completed in accordance with the Servicing Agent Agreement, the Debenture will be a valid and binding obligation of CDC, enforceable in accordance with its terms;

3. The Note Assignment, the Guarantee Assignments, **[SELECT -** the Deed of Trust Assignment **- OR -** the Mortgage Assignment**]**, the Reassignment, the Security Agreement Assignment, the Financing Statements Assignments and any other CDC assignments required by the Authorization (collectively, the "Assignments") have been duly authorized, executed and

delivered by an authorized officer of CDC and are valid and binding obligations of CDC, enforceable in accordance with their respective terms;

4. Any other instruments and supporting documents required by the Authorization to be executed by CDC have been duly authorized, executed and delivered by an authorized officer of CDC and are valid and binding obligations of CDC, enforceable in accordance with their respective terms; and

5. To our knowledge, the 504 loan has been closed in accordance with the terms and conditions of the Authorization.

Insert items D.6 to D.8 if there is no Opinion of Borrower's Counsel covering these issues.

6. Borrower and Guarantors (other than natural persons) are (a) duly organized, (b) in good standing, and (c) validly existing.

7. Borrower has the authority to borrow the amount of the 504 loan from the CDC and each Guarantor has the authority to guarantee the amount guaranteed. Borrower and Guarantors have the authority to pledge the collateral securing the Note or Guarantee.

8. Each document executed by the Borrower or a Guarantor in connection with this loan has been executed and delivered by the appropriate authorized officer and is valid, binding, and enforceable according to its terms.

E. Our opinion as to the enforceability of the obligations of CDC under the Debenture and the Assignments is subject to the following qualifications:

1. The effect of any applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws affecting creditor's rights generally; and

2. The exercise of judicial discretion in accordance with general principles of equity.

F. We express no opinion as to the laws of any state other than

Option A [Project in CDC's State of Incorporation where CDC Closing Counsel is licensed]

- **[State of Incorporation]**.

Option B [Project in State where CDC has Foreign Registration and CDC Designated Closing Counsel is licensed in both Project State and CDC's State of Incorporation]; **Option C** [Project in State where CDC has Foreign Registration and CDC Designated Closing Counsel is only licensed in CDC's State of Incorporation]; and **Option D** [Project in State where CDC has foreign registration and CDC Designated Closing Counsel is only licensed in the Project State]

- **[State of Incorporation and State of Foreign Registration]**.

G. We express no opinion with respect to title to any property.

H. Based upon the foregoing and on our knowledge, we also make factual representations, but do not opine, to the following:

1. We have made arrangements for the prompt recording or filing of all relevant documents. **[Attorneys may specify the arrangements at their option]**

Insert the following if the Interim Lender and the Third Party Lender are **different**

2. Upon receipt and application by the Interim Lender of the net Debenture proceeds in the amount of $**[Amount]**, **[OPTION -** and the payment of any accrued, outstanding interest by Borrower,**]** the Interim Lender has stated that the Interim Loan will be paid in full.

Insert the following if the Interim Lender and the Third Party Lender are the **same**

3. Upon receipt and application by the Third Party Lender of the net Debenture proceeds in the amount of $**[Amount]**, **[OPTION -** and the payment of any accrued, outstanding interest by Borrower,**]** the Third Party Lender has stated that the principal balance of the Third Party Lender Loan will be **[Dollar Amount spelled out]** and **[Cents]**/100 Dollars ($**[Amount]**).

Insert the following if the Project Property includes real estate.

4. The Title Company **[SELECT -** has issued **- OR -** will issue**]** an ALTA loan title insurance policy in the amount required by the Authorization insuring that CDC and SBA hold a valid **[Lien position]** lien on the Property subject only to the liens expressly permitted by the Authorization. There either (a) are no contractor's, mechanic's or materialman's liens on the Property currently filed and no exception for same in the title insurance commitment/policy, or (b) the Title Company is providing affirmative coverage to CDC and SBA over any such liens, affording reasonably adequate protection against material loss arising from any such liens. In addition, the Title Company is providing such endorsements as are necessary or appropriate reasonably to protect CDC and SBA against material loss arising from other exceptions in the title insurance commitment/policy not expressly permitted by the Authorization. In the case of subsequent issuance, **[state how appropriate title insurance protection is afforded at the time of submission according to local practice; for example: "**the title company issued a title insurance commitment evidencing its willingness to insure, has provided us with a satisfactory marked-up copy after the closing and has collected its full premium for the policy**"]**.

Insert the following paragraph if the Project Property includes personal property.

5. With respect to the personal property (in which a security interest subject to Article 9 of the Uniform Commercial Code is granted which may be perfected by the filing of financing statements), upon the filing of the Financing Statements, the security interests of CDC and SBA in such property will have been perfected, and CDC and SBA will be in the lien position required by the Authorization.

I. For purposes of the opinions and representations made in this letter, the words "our knowledge" refer to the knowledge of the lawyers and other legal professionals within our firm working on this 504 loan, and mean that, in the course of our representation of the CDC in matters with respect to which we have been engaged by the CDC as counsel, no information has come to our attention that has given us actual knowledge or actual notice or reasonably would lead us to conclude that anything in this letter or in any of the documents referred to in this letter on which we have relied (including SBA Form 2101, CDC Certification) is misleading or inaccurate, or that further inquiry is appropriate.

J. In forming the opinions and making the representations set forth above, we have assumed, and nothing has come to our attention which would lead us to conclude to the contrary, the following:

1. all documents submitted to us as copies are authentic, all copies conform to the original documents, all signatures are genuine, and all public records reviewed are accurate and complete;

2. each person, party or entity ("Person") other than CDC has taken all actions necessary to authorize the actions contemplated to be performed by such Person in connection with the 504 Loan, and has duly and validly executed and delivered each instrument, document, and agreement executed in connection with the 504 Loan to which such Person is a signatory, and such Person's obligations set forth therein are its legal, valid, and binding obligations, enforceable in accordance with their respective terms;

3. each individual executing any instrument, document, or agreement on behalf of any Person (other than CDC, Borrower, and Guarantors) has been duly authorized to do so; and
4. each Person other than CDC has performed or will perform the actions contemplated to be performed by such Person in connection with the 504 Loan.
5. no fraud exists with respect to J.1. through J.4.

This letter is solely for the benefit of SBA, including its counsel, and may not be relied upon by any other person or entity without our prior written approval. We are aware that SBA will rely upon this letter in guaranteeing the Debenture. The opinions and representations in this letter are limited to the matters set forth in this letter. We do not undertake to advise you of any changes in the opinions expressed in this letter that may result from occurrences after the date of this letter.

We are submitting the 504 Loan closing package to you with this letter.

Signature Option A [Project in CDC's State of Incorporation where CDC Closing Counsel is licensed]

As the individual attorney signing this letter, I further certify that I am authorized to do so and that I am a licensed, active member, in good standing, of the Bar of **[State of CDC Incorporation]**.

Signature Option B [Project in State where CDC has Foreign Registration and CDC Designated Closing Counsel is licensed in both Project State and CDC's State of Incorporation]

As the individual attorney signing this letter, I further certify that I am authorized to do so and that I am a licensed, active member, in good standing, of the Bars of **[State of Foreign Registration Where Project is Located]** and of **[State of CDC Incorporation]**.

Signature Option C [Project in State where CDC has Foreign Registration and CDC Designated Closing Counsel is only licensed in CDC State of Incorporation]

As the individual attorney signing this letter, I further certify that I am authorized to do so and that I am a licensed, active member, in good standing, of the Bar of **[State of CDC Incorporation]**.

Signature Option D [Project in State where CDC has Foreign Registration and CDC Designated Closing Counsel is only licensed in Project State]

As the individual attorney signing this letter, I further certify that I am authorized to do so and that I am a licensed, active member, in good standing, of the Bar of **[State of Foreign Registration Where Project is Located].**

Very truly yours,

[Name of Law Firm] Law Firm

_____

By: **[Name]**, **[Title]**, for the Firm