

U.S. Small Business Administration

# National CAPLines Authorization Boilerplate

Version 2012

[June 15—, 20072012](#)

## Read this first!

### *About this document*

This document contains version 2012 of the National CAPLines Authorization Boilerplate ("Boilerplate"). The Boilerplate contains the mandatory national standard language for all SBA CAPLines loans, including contract, seasonal, builder's, ~~Standard Asset Based (SAB), and Small Asset Based (SMAB) and working capital.~~

### *About the "CAPLines Wizard"*

The CAPLines Wizard, sometimes referred to as "Wizard", was automated using Microsoft Word and has been ~~designed to run~~ programmed in Word 2003 (11). The Wizard is compatible to a limited degree with ~~Word 2000 (9) previous versions of Word. The 2007 and Word 2002 (10).~~ 2010 CAPLines Wizards are compatible with 64-bit machines. SBA cannot effectively support compatibility issues relating to versions of Word other than Word 2003 (11), Word 2007 (12) and Word 2010 (14).

SBA upgraded to Word ~~2003 (11)~~ 2012 (14) during ~~2006~~ 2010. Version "2012" of the CAPLines Wizard has been 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 Wizard is a technical tool intended to make it easier for SBA Loan Officers and lenders to create authorizations based on the Boilerplate. It is not an expert system with lots of checks and balances. Use of the Wizard or any other automation tool does not release lenders from their responsibility to ensure that the authorizations they create comply with the Boilerplate.

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

1. For CAPLines Wizard users:	Loan Information section starts here...	1
2. For CAPLines Wizard users:	Repayment Terms section starts here...	<u>76</u>
3. For CAPLines Wizard users:	Use of Proceeds section starts here...	<u>1743</u>
4. For CAPLines Wizard users:	Project Collateral section starts here...	<u>2721</u>
5. For CAPLines Wizard users:	Collateral Conditions section starts here...	<u>3327</u>
6. For CAPLines Wizard users:	Additional Conditions (Part I) starts here...	<u>3630</u>
7. For CAPLines Wizard users:	Additional Conditions (Part II) starts here...	<u>4438</u>
8. For CAPLines Wizard users:	Signature Block section starts here...	<u>5245</u>

## ***Getting the latest version of the Authorization***

The latest version of the Authorization can be obtained from the SBA website 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.

### ***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) as well as Smart cut and paste (Tools | Options | Edit).
- Please review the Wizard Settings Fact Sheet (WizardFacts.doc), available on the CAPLines Wizard website and located in your templates directory after installation, for recommended optimal Word settings.

### ***What's new in this version?***

This section highlights the major differences between the Boilerplate and Wizard version [1.5 \(released May 5, 2003\)](#) and version 2012 of the Boilerplate and Wizard. This listing can also be found during operation of the Wizard in the "What's New" section of the CAPLines Wizard Help topics, which is available from the CAPLines Wizard menu.

### **Loan Information, Repayment Terms, Use of Proceeds, Collateral Conditions, Additional Conditions I, and Additional Conditions II**

The [CAPLines 2006](#) Wizard interface has been completely rewritten in Visual Basic for Applications (VBA) to enable the CAPLines 2012 Wizard to more efficiently run in current and future versions of Word.

### **Loan Information, Repayment Terms, Use of Proceeds, Project Collateral, Collateral Conditions, Additional Conditions I and Additional Conditions II**

Programming code underlying the CAPLines Wizard has been modified to require that initially each section is completed in the proper order. That is, Loan Information must be completed before Repayment Terms, and Repayment Terms must be completed before Project Collateral. 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. Therefore, you should follow this order whenever you make substantive changes to an authorization section and verify that the CAPLines Wizard has made the appropriate corresponding changes to the other authorization sections.

### ~~—Boilerplate Review~~

~~The information boxes which provide guidance for selection options in the Wizard or which provide CFR or SOP cites have been reviewed to bring them up to date.~~

~~All comments, references and instructions (located in shaded areas (gray or blue shade)) have been reviewed and updated. References have been added or deleted, and clarifications made. Some comments previously marked "Optional" have been marked "Mandatory, if [criteria]," with [criteria] indicating an authorization condition.~~

### ~~—Wizard Panel Changes~~

- ~~• Loan Information Section Panel 3—Selecting "Seasonal" and "single" will automatically limit the maturity period (Panel 3) to 11 months. No Boilerplate text changes were necessary.~~
- ~~• Use of Proceeds Section Panel 2, Seasonal—The panel option "Collateral option to eliminate inventory from project collateral" has been restated for clarity. It now reads: "Collateral—Include inventory in project collateral:". Selecting the " and inventory" option will insert appropriate Boilerplate text. No Boilerplate text changes were necessary.~~
- ~~• Additional Conditions 1 Section Panel 3, Borrower and Operating Company Documents—The "Consideration for Stock Purchase" option has been removed from the panel as it is not an option in a CAPLines authorization. No Boilerplate text changes were necessary.~~

### ~~—Wizard Boilerplate Changes~~

#### ~~Loan Information Section~~

##### ~~A. Guarantee Fee section~~

- ~~• A new sentence has been added as follows:  
"Borrower may use Loan proceeds to reimburse Lender for the guarantee fee."~~
- ~~• A new option has been added to reflect the CAIP approval requirement. The new paragraph reads as follows:~~

#### ~~**CAIP Approval (MANDATORY for CAIP Applications)**~~

~~Guarantee Fee payment by U.S. Community Adjustment and Investment Program (CAIP). SBA Notices 5000-530 and 5000-657. CAIP Finance Committee approval required. SBA Notice 5000-971. **NOTE: CAIP cannot be used for PLP loans.**~~

~~Payment of the guarantee fee by North American Development Bank (NADBank) is subject to the approval of the CAIP Finance Committee. If the Committee does not authorize payment by NADBank, then responsibility for the fee will remain as otherwise stated in this Authorization. SBA requires Lender to pay the guarantee fee up front as normally required for standard SBA loans. If a CAIP application is officially approved by the CAIP Finance Committee, SBA will reimburse Lender for the guarantee fee, and Lender then must reimburse any portion of the fee previously passed on to Borrower.~~

##### ~~B. Ongoing Servicing Fee section~~

~~—The ongoing servicing fee has been set to a default of 0.550, effective October 1, 2006. This value can be modified by the user when advised by SBA that there is a change in the ongoing servicing fee.~~

##### ~~D. Required Forms section~~

- ~~• Form 1050, Settlement Sheet, for initial disbursement, has been added to the list of required forms, paragraph D.1.~~

- ~~Form 159, Compensation Agreement, has been replaced with Form 159 (7a), Compensation Agreement, in paragraph D.1, the list of required forms.~~
- ~~Form 793, Notice to New Borrowers, has been eliminated and has been removed from paragraph D.1, the list of required forms.~~
- ~~Paragraph D.3 has been modified from:~~

~~"3. Lender must submit completed SBA Forms 159 for non-PLP loans to the SBA immediately after final disbursement."~~

~~to:~~

~~"3. Lender must submit completed SBA Forms 159 (7a) to the SBA immediately after final disbursement."~~
- ~~Paragraph D.4 has been modified from:~~

~~"3. Lender must submit completed SBA Forms 159 to the SBA immediately after initial disbursement."~~

~~to:~~

~~"3. Lender must submit completed SBA Forms 159 (7a) to the SBA immediately after initial disbursement."~~

~~Paragraph D.5, which read, "Lender must submit completed SBA Forms SAB-159B as instructed in A summary of the changes follows.~~

#### CAPLines Authorization Summary of Changes

(Also found at <http://www.sba.gov/content/caplines-authorization-file-library> as [ACAPChangeSummary.PDF](#))

- ~~In addition to making changes required by SOP 50-10," has been deleted.~~

#### **Forms in Additional Conditions II**

- ~~The reference to Form 793, Notice to New Borrowers, has also been removed from Certifications and Agreements paragraph 9.a.(1), which now reads as follows:~~

~~"(1) **Receipt of updates and changes to the common provisions in the 7a Authorization**—Borrower has received a copy of this Authorization from Lender and acknowledges that:"~~
- ~~The reference to Form 793 has also been removed from Certifications and Agreements paragraph 9.b.(4), which now reads as follows:~~

~~"(4) **Equal Opportunity**—Post SBA Form 722, Equal Opportunity Poster, where it is clearly visible to employees, applicants for employment and the general public."~~

#### **F. Note Terms section**

- ~~**Repayment Terms, F.3**—The , the following Interest Rate Options, paragraph F.3, Option 2, Variable Rate, has been modified to allow for daily computations or average daily computations:~~

~~"Interest rate computations are based on the ~~[Option — [average]]~~ daily outstanding balance."~~
- ~~**Repayment Terms, F.3**—In Seasonal Options 2.1.A, 2.2, 2.3, and Options 3 through 5 the phrase "disbursed principal balance" has been changed to "outstanding principal balance".~~
- ~~**Repayment Terms, F.3**—The following Payment Term Options, Contract 1.1, 1.2.A (added sentence), Seasonal 2.1.A, 2.2, and Builder's 3, have been modified to correct the list of selections. Each option now reads as follows (modified areas indicated by >>>><<<< (some selections were removed entirely)):~~

**Option 1.1 – For CONTRACT CAPLines – Optional**

~~Borrower must pay interest on the outstanding principal balance every »month« beginning »[SELECT one month, two months, three months, four months, five months, six months]« from the month [SELECT (same as in F.1.) – this Note is dated – OR – of initial disbursement on this Note]; monthly interest payments must be made on the [SELECT \_\_\_\_\_ calendar day, first calendar day, second calendar day, etc., same day as the date of this Note, same day as the date of initial disbursement on this Note] in the months they are due. Borrower must make additional payments as follows:~~

**Option 1.2.A – For Single CONTRACT CAPLines – Mandatory**

~~Borrower must assign all contract proceeds to Lender. Lender will apply \_\_\_\_\_% of the contract proceeds until the outstanding loan balance is paid. »The percentage of contract proceeds must be sufficient to fully repay all funds drawn on this loan for the specific contract plus accrued interest. The minimum percentage is the cost of goods sold divided by the total contract price. Lender may increase the percentage to allow for retainage by the contract obligor.« Lender must pay all remaining contract proceeds to the Borrower, as long as Borrower is not in default under this Note. Lender will apply each payment first to interest accrued to the date of receipt of payment and the balance to principal. changes were made to the boilerplate:~~

**Option 2.1.A – Interest – Optional**

~~Borrower must pay interest on the outstanding principal balance every month beginning [SELECT one month, two months, three months, four months, five months, six months] from the month [AUTOMATICALLY SELECT BASED ON LOAN INFORMATION – this Note is dated – OR – of initial disbursement on this Note]; interest payments must be made on the [SELECT \_\_\_\_\_ calendar day, first calendar day, second calendar day, etc., same day as the date of this Note, same day as the date of initial disbursement on this Note]. Borrower must make additional payments as follows:~~

**Option 2.2 – Regular Interest Plus Seasonal Principal**

~~Borrower must pay interest on the outstanding principal balance every »month, plus principal payments of \$[Amount] in the month(s) of [list of months] inclusive. Principal« payments must be made on the [SELECT \_\_\_\_\_ calendar day, first calendar day, second calendar day, etc., same day as the date of this Note, same day as the date of initial disbursement on this Note] in the months they are due.~~

**Option 3 – For BUILDER'S CAPLines**

~~Borrower must pay interest on the outstanding principal balance every [SELECT month, two months, three months, four months, five months, six months] beginning »six months« from the month [SELECT (same as in F.1.) – this Note is dated – OR – of initial disbursement on this Note]; interest payments must be made on the [SELECT \_\_\_\_\_ calendar day, first calendar day, second calendar day, etc., same day as the date of this Note, same day as the date of initial disbursement on this Note] in the months they are due.~~**GENERAL LOAN INFORMATION:**

~~Reduced 5 subprograms to 4:~~

~~Working Capital – Borrower must make additional payments as follows:~~

- ~~• **Repayment Terms** – The following new options (5.A and 5.B) have been added to Paragraph F.3, Repayment Terms, Option 5, as follows:~~

**Option 5 – For SAB CAPLines**

~~SOP 50-10(4), pg. 212, Subpart "B", Chapter 1, Paragraph 12– General SBA Note Requirements; pg. 263, Subpart "C", Chapter 1, Paragraph 151– Master Notes and Subnotes.~~

**For SAB Only— Select 5.A or 5.B— Mandatory****Option 5.A – For Low Funds Control**

- ~~"Lender to clear or sweep the cash collateral account at their discretion, but no less frequently than weekly, and apply all proceeds to the outstanding interest and principal of the (formerly Standard Asset Based loan."CAPLines)~~

**Option 5.B – For High Funds Control**

~~"Lender to immediately apply all funds received from Borrower and/or Borrower's customers to the outstanding interest and principal of the Asset Based loan. If a lock box is used, the box must be swept no less frequently than weekly and funds collected must be used to pay down the Asset Based loan."~~

**State Specific Language**

- A new State Specific provision has been added for the State of Missouri. The following will be inserted if any borrower or guarantor is resident in Missouri:

~~—"Lender 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."*~~

**G. Use of Proceeds and Conditions for Disbursement**

- Contract CAPLines
- Paragraph G.3.c. has been modified from:
  - ~~"c. Obtain written acknowledgement of this assignment from [name of person paying on the contract same as above]."~~
  - to:
  - ~~"c. Obtain written acknowledgement of this assignment from [name of person paying on the contract same as above] as follows:~~
    - ~~(1) All contract proceeds have been assigned to Lender.~~
    - ~~(2) All contract proceeds will be sent directly to Lender."~~
- Paragraph G.6.c. has been modified from:
  - ~~"c. Obtain written acknowledgement of this assignment from the procuring authority."~~
  - to:
  - ~~"c. Obtain written acknowledgement of this assignment from the procuring authority as follows:~~
    - ~~(1) All contract proceeds have been assigned to Lender.~~
    - ~~(2) All contract proceeds will be sent directly to Lender."~~
- Seasonal CAPLines

- Paragraph G.13.c has been modified from:

~~"c. Obtain monthly cash flow projection for the season to determine appropriate disbursement and repayment timeframe."~~

to:

~~"c. Obtain month to month cash flow projections for the season to determine appropriate disbursement and repayment timeframe."~~

- Builder's CAPLines

- Paragraph G.19., Option 6, has been modified for clarification as follows:

~~"19. Prior to \_\_\_\_\_ (Eliminated Small Asset Based CAPLines)~~

#### **D. REQUIRED FORMS:**

- On all CAPLines lender has the option of using its own note and guaranty agreements rather than SBA Forms 147, 148 and 148L, as long as SOP 50 10 requirements are met, including mandatory SBA language.
- SBA Form 1050 (Settlement Sheet) only required for initial disbursement.

#### **E. CONTINGENCIES:**

- Final Disbursement for the initial building Working Capital program must give borrower time to make final payment by loan maturity.

#### **F. NOTE TERMS:**

- Increased maximum loan amount to \$5,000,000.
- Maximum maturity increased to 10 years for all programs except Builder's CAPLine, which is limited by regulation to 5 years.
- Non-revolving loan option eliminated.
- For working capital loans, requires that extensions be completed prior to maturity.
- Requirements for post-approval interest rate changes detailed.

#### **PAYMENT TERMS:**

- Contract program: 3 payment options detailed when Assignment of Proceeds taken, and 2 payment options detailed when no Assignment of Proceeds taken.
- Seasonal: Clarification regarding application of payments and requirement that all principal and interest must be paid by end of season.
- Working Capital: Low and High Funds Control provision removed. Application of payments clarified.
- Extraordinary Servicing Fee: Provision clarified and lack of SBA guarantee on such fees noted.

#### **G. USE OF PROCEEDS AND ~~any subsequently~~ CONDITIONS FOR DISBURSEMENT:**

- Contract CAPLines: proceeds can be used to finance all contract, subcontract and purchase order costs (excluding profit); various options include whether some or all costs are financed and whether the loan will finance a single contract or multiple contracts; if not all costs financed, lender must establish percentage of payment to apply to loan and that percentage may be increased for retainage; requires justification if assignment not taken;
- Seasonal: Option added for requirement of Borrowing Base Certificate;
- Builder's: Added language reflecting SOP requirement for supervisory employee on job site; and multiple buildings); additional pre-disbursement requirements added such as licensed architect plans and specs and line by line costs and monthly project projections;
- Working Capital CAPLines: Refinance provision added; provisions added regarding advances when annual review coincides with maturity whether Borrowing Base Certificate (BBC) required

or not; pre-disbursement certification added that all proceeds for cash sales and receivable collections will be remitted to lender;

- Lender must: "has option of closing and disbursing based on a BBC or not.

- ~~Paragraph G.19., has been modified to add a new subparagraph e., as follows:~~

~~"e. Have evidence that permanent mortgage money is available to qualified purchasers of such properties, a market exists for the proposed building, and the proposed building will be compatible with its neighborhood."~~

- ~~Paragraph G.20., has been modified to add the phrase "for each individual building" as follows:~~

~~"20. During the course of construction and prior to final disbursement for each individual building, Lender must make interim and final inspections to determine that construction conforms to the plans and specs and to obtain lien waivers and releases at appropriate times from all materialmen, contractors, and subcontractors receiving Loan funds or involved in the construction."~~

**SBA and SMAB CAPLines**

- Paragraphs G.23.c., d. and e. have been added to provide two new funds control options under Option 7, as follows:

***Option 7 — for SAB and SMAB CAPLines***

***For SAB Only — Select 7.A or 7.B — Mandatory***

***Option 7.A — For Low Funds Control***

- c. Establish a cash collateral account under Lender's control for Borrower's use to deposit all proceeds, including but not limited to cash and checks, received from the sale of any of Borrower's inventory or services including all collection of all receivables resulting from such sales.
- d. Obtain written certification from Borrower that all proceeds received from the sale of any of Borrower's inventory or services including collection of all receivables resulting from such sales will be promptly deposited into the above referenced cash collateral account.

***Option 7.B — For High Funds Control***

- c. Establish a postal/lock box under either Lender's control or under the control of an independent third party chosen by Lender where the customers of the Borrower will deposit all credit payments and the Borrower will place all cash and checks received from the sale of any of Borrower's inventory.
- d. Lender responsible for making sure all account debtors of Borrower are instructed to remit all payments owed the Borrower into either the Lender's own postal/lock box OR a postal/lock box under the control of an independent third party chosen by Lender.
- e. Obtain written certification from Borrower that all proceeds received from the sale of any of Borrower's inventory or services will be promptly deposited into the above referenced cash collateral account.

## All CAPLines

- ~~An additional sentence has been added to the grey information box as follows:~~

SOP 50-10(4), pg. 51 – 60-3, Subpart “A”, Chapter 2, Paragraphs 10-13, General SBA rules on use of proceeds. Lender may not split one loan into two loans if the use of proceeds is the same for both loans.

The following sentence has been added as a required paragraph (shown in this document as paragraph G.28):

“28. Lender may not split one loan into two loans if the use of proceeds is the same for both loans.”

## H. Collateral Conditions

- ~~The California Mandatory state specific provision has been modified with the addition of the word “guarantor” so that the introductory paragraph now reads:~~

~~—“California Mandatory Provision— The following language must appear in a guarantee if the guarantor, any Borrower or any real estate is located in California:”~~

~~Further, the California Mandatory language for all guarantees in California has been modified slightly to match the actual text of the California Civil Code Sections 2787 to 2855, inclusive.~~

- ~~The Missouri Mandatory Provision has been added. The provision reads:~~

~~“Missouri Mandatory Provision— Lender 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.”*~~

- ~~A Georgia Mandatory state specific provision, which must appear in all guarantees signed by Georgia residents (SBA Form 148 or 148L), has been added as follows:~~

~~“The undersigned Guarantor hereby waives the right to require the Holder of the obligations hereby guaranteed to take action against the debtor as provided for in O.C.G.A. 10-7-24.”~~

## I. Additional Conditions

- ~~Flood Insurance, Real Estate Hazard Insurance, and Personal Property Hazard Insurance are now mandatory paragraphs as appropriate.~~

### I.1.a. Flood Insurance

- ~~The Flood Insurance paragraph has been modified in its entirety to more closely comport with FEMA requirements. The paragraph has been modified from:~~

- 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 area, Lender 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 Lender. (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.)~~

to:

a. ~~**Flood Insurance.** Based on the Standard Flood Hazard Determination (FEMA Form 81-93):~~

~~(1) If any portion of a building that is collateral for the Loan is located in a special flood hazard area, Lender must require Borrower to obtain flood insurance for the building under the NFIP.~~

~~(2) If any equipment, fixtures, or inventory that is collateral for the loan ("Personal Property Collateral") is in a building that is located in a special flood hazard area and that building is collateral for the Loan, Lender must require Borrower to also obtain flood insurance for the Personal Property Collateral under the NFIP.~~

~~(3) If any equipment, fixtures, or inventory that is collateral for the loan ("Personal Property Collateral") is in a building that is located in a special flood hazard area and that building is not collateral for the Loan, Lender must require Borrower to obtain available flood insurance for the Personal Property Collateral. Lender may waive the requirement for flood insurance for the Personal Property Collateral when the building is not collateral for the Loan, provided that lender uses prudent lending standards. The waiver must include a written justification that must be kept in the loan file. The justification must fully explain why flood insurance is not economically feasible or, if flood insurance is not available, the steps taken to determine that it is not available.~~

~~Insurance coverage must be 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 Lender. This clause must provide that any act or neglect of the debtor or owner of the insured property will not invalidate the interest of Lender 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.)~~

**I.2.a. Environmental Requirements**

~~—The reference box (gray shaded) has been modified to reflect changes required by SBA Procedural Notice 5000-1002. The box now reads:~~

~~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.  
Phase I Site Assessments must meet SBA requirements as to All Appropriate Inquiry compliance described in SBA Procedural Notice 5000-1002 (November 9, 2006), and any subsequent SBA notices and SOP updates on this issue.~~

● ~~Paragraph 4.a., **Verification of Financial Information**, the first sentence, has been modified from:~~

~~"a. **Verification of Financial Information**—Lender must submit IRS Form 4506 to the Internal Revenue Service to obtain federal income tax information on Borrower if Borrower is an EPC, for the last 3 years (unless Borrower is a start-up business)."~~

to:

~~"a. **Verification of Financial Information**—Lender must submit IRS Form 4506 T (SBA version) to the Internal Revenue Service to obtain federal income tax information on Borrower for the last 3 years (unless Borrower is a start-up business)."~~

● ~~All references to Form 4506 have been changed to Form 4506 T in subsequent paragraphs.~~

**I.4.h. Agreement of Franchisor**

~~—The Agreement of Franchisor shaded comment box in the CAPLines Boilerplate has been modified to clarify the circumstances when the Agreement of Franchisor options should be selected. The comment box now reads:~~

**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. The Agreement of Franchisor is NOT mandatory for all franchises, nor is any of the 4 individual conditions. Each should be included only as the circumstances of a particular franchise loan approval may require.

**I.5.d. Asset Injection**

— The Asset Injection paragraph has been modified to include a description of the assets injected. The paragraph has been modified from:

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

to:

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

**I.8.a. Construction Provisions**

— The Building Standards paragraph has been modified by removing a portion of the paragraph referring to specific alternate building codes and by modifying a portion to indicate examples of acceptable evidence of compliance. The paragraph has been modified from:

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. Lender 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.

to:

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. Lender must obtain from Borrower evidence of compliance with these requirements. Examples of evidence include 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.

— In addition, the balance of paragraph E.8.a. describing building codes substantially equivalent to NEHRP has been removed. Paragraph E.8.b. remains the same.

● Paragraph 9.a.(1), ~~Certifications and Agreements~~, has been modified from:

"(1) ~~Receipt of Authorization~~— Borrower has received a copy of this Authorization and SBA Form 793, Notice to New SBA Borrower, from Lender, and acknowledge that:"

to:

"(1) ~~Receipt of Authorization~~— Borrower has received a copy of this Authorization from Lender and acknowledges that:"

● Paragraph 9.a.(5), ~~Environmental~~ has been changed to a mandatory provision and modified in its entirety from:

***Environmental (OPTIONAL)***

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

~~"(5) **Environmental** — For real estate located at [Address]:~~

~~"(a) At the time Borrower submitted the Loan application, Borrower was in compliance with all local, state, and federal environmental laws and regulations pertaining to environmental contamination;~~

~~"(b) Borrower has and will continue to comply with these laws and regulations;~~

~~"(c) Borrower, and all of its principals, has no knowledge of any contamination of any real or personal property pledged as collateral for the Loan which violates any such laws and regulations, (other than what was disclosed in connection with the Environmental Investigation of the property);~~

~~"(d) Borrower assumes full responsibility for all costs incurred in any clean up of environmental contamination and agrees to indemnify Lender and SBA against payment of any such costs (Lender or SBA may require Borrower to execute a separate indemnification agreement);~~

~~"(e) Until full repayment of Loan, Borrower will promptly notify Lender and SBA if it knows, suspects or believes there may be any environmental contamination in or around the real property securing the Loan, or if Borrower or such property are subject to any investigation or enforcement action by any Governmental agency pertaining to any environmental contamination of the property."~~

~~— to:~~

***Environmental (MANDATORY)***

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

~~"(5) **Environmental** — For any real estate pledged as collateral for the Loan or where the Borrower is conducting business operations (collectively "the Property"):~~

~~"(a) At the time Borrower 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 will continue to comply with these laws and regulations;~~

~~"(c) Borrower 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 will promptly notify Lender 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 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, Borrower indemnifies, and agrees to defend and hold harmless, Lender 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 operations. (Lender or SBA may require Borrower to execute a separate indemnification agreement).~~

- Paragraph 9.b.(2)(e), **Books, Records, and Reports**, has been modified from:

~~"(e) Provide Lender with a monthly cash flow projection of all known operational activity on at least an annual basis for the term of the loan."~~

to:

~~"(e) Provide Lender with a month to month cash flow projection of all known operational activity on at least an annual basis for the term of the Loan."~~

#### ~~—Appendix A, Collateral Conditions, B. Realty And Leaseholds (Appendix A, B.6.) 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.*~~

~~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].~~

#### ~~—Appendix A, 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.~~

- ~~The North Dakota state specific options did not include “(1) ALTA Loan Policy insuring lender and assigns.” This option has been added for use in loan authorizations in North Dakota.~~
  - If a BBC is not used, lender must follow stated underwriting, collateral and cash flow analysis standards and minimum monitoring requirements, including site visits. There must be a 1:1 collateral ratio.
  - If a BBC is used, lender must comply with revised requirements including the timing of the BBC (monthly not with each disbursement), pre-disbursement and annual field exams (rather than
    - semi-annually), and eligible/ineligible receivables (including concentrations, which may exceed
    - 20% with written justification in the file if certain types of accounts, otherwise requires SBA consent).
  - The level of funds control, regardless of whether a BBC is used or not, will depend on the banking relationship the lender has with the borrower.
- For all Programs: Describes documentation of second and subsequent disbursements; adds provision regarding action if withholding taxes are delinquent.

#### **H. COLLATERAL CONDITIONS**

- Contract CAPLines: allows for exception to assignment of contract(s) and proceeds of contract(s) financed by the loan under certain conditions (in accordance with SOP 50 10). Adds an option for Additional Worthwhile Collateral when no assignment is taken
- Working Capital CAPLines: if the lender will disburse based on a borrowing base certificate (BBC), the lender must obtain a first lien position on the trading assets (A/R, INV, etc.), and if not disbursing based on a BBC, the lender must have a first lien position on the trading assets and ensure 1:1 collateral coverage (which may include the assignment of other business assets as well as personal assets)
- No change to Seasonal or Builder’s CAPLines.

#### **SIGNATURE BLOCK**

Added option of delegated processing for PLP lenders

The redlined version of the CAPLines Boilerplate, showing all of the changes from the last version, is posted on the website at <http://www.sba.gov/content/caplines-authorization-file-library> as ACAPv2012Red.PDF.

#### **To be added.**

### ***More Information***

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

## Boilerplate

**Note for Pre-Qual** -- This Boilerplate must be changed as follows for Pre-Qual draft authorizations:

- Specify the CID Number in lieu of the SBA Loan Number in both the Loan Information box and the footer, as follows: PRE-QUAL DRAFT—CID #~~[[Insert CID Number here]]~~
- Insert the text [Approval Date] and [Request Date] in lieu of the Approval Date and Request Date respectively
- Replace the Lender name and address with the following statement: (Pre-Qual Draft. No lender information is available.)
- Replace the entire signature block with the following statement: PRE-QUAL Draft—DO NOT SIGN

**For CAPLines Wizard users:** All of the above is automatically done by the CAPLines Wizard when the "This is a Pre-Qual draft" option is selected on the Lender Information panel.

For CAPLines Wizard users:

Loan Information section starts here...



U.S. Small Business Administration

## AUTHORIZATION (SBA GUARANTEED LOAN FOR CAPLINES)

### SBA LOAN INFORMATION

The SBA LOAN NAME is the **first available** of this list:

1. dba of the Borrower
2. name of the Borrower

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

**For CAPLines Wizard users:** The CAPLines Wizard automatically selects the SBA Loan Name based on the Borrower Information provided.

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

SBA Loan Number: [Loan Number]

SBA Loan Name: [Loan Name]

Page 1

(CAPLines 2012)

**LENDER / SBA INFORMATION**

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 Lender with the specific conditions which must be met for SBA to provide a guarantee of the loan Lender is making to Borrower. It is not a contract to loan money, and Borrower is not a third party beneficiary of the Authorization. SBA does not lend money to Borrower and cannot force Lender to make a loan to Borrower based on the Authorization.

Lender:	U. S. Small Business Administration (SBA):
[Lender's Name]	[SBA Office's Name]
[Address]	[Address]
[City, State Zip]	[City, State Zip]

**GENERAL LOAN INFORMATION**

CFR 120.214 - Date application is received is necessary to calculate interest rate on variable rate loans. 120.210 - explains SBA guarantee percentage.

SOP 50-10(4), pg. 199-202 5(E), pp. 149-151, Subpart "B", Chapter 5, Paragraphs 4 and 53, Paragraph II - Guarantee percentage policy. There is an effect on the guarantee percentage and guarantee fee when two 7(a) loans are approved to the same borrower within 90 days. This 90-day rule does not apply when one of the loans is a 504 loan. ~~See SBA Information Notice 5000-802.~~

There are 54 CAPLines Loan Programs. Only one type of CAPLines can be done for each Loan. SOP 50-10(4), pg. 257-303, 5(E), pp. 130-131 Subpart "CB", Chapter 1, Paragraphs 14-20 - CAPLines Loan Policies; Paragraphs 14-15, pg. 257-265 - General CAPLines, Paragraph III.M, Additional Eligibility Requirements; Paragraph 16, pg. 265-270 - for CAPLines (M.1 - Seasonal CAPLines; Paragraph 17, Pg. 270-276 - M.2 - Contract CAPLines; Paragraph 18, pg. 277-285 - Builder's CAPLines; Paragraph 19, Pg. 286 - 299 - Standard Asset Based CAPLines (SAB); Paragraph 20, Pg. 300-303 - Small Asset Based CAPLines (SMAB, M.3 - Builder's, and M.4 - Working Capital).

SBA approves, under Section 7(a) of the Small Business Act as amended, Lender's application received [~~REQUEST DATE ACCEPTED~~], for SBA to guarantee [~~PERCENT GUARANTEED~~] % of a [~~REVOLVING/NONREVOLVING~~] CAPLines [~~CONTRACT, SEASONAL, BUILDER'S, SMALL ASSET BASED (SMAB), or STANDARD ASSET BASED (SAB)~~] WORKING CAPITAL CAPLines loan ("Loan") in the amount of \$ [~~LOAN AMOUNT~~]

**THE FOLLOWING CHOICE IS ONLY FOR CONTRACT, SEASONAL, OR BUILDER'S CAPLINES**

for a [~~SINGLE or MULTIPLE~~]

**WIZARD to select CONTRACT(S), SEASON(S), or BUILDING(S), if appropriate**

to assist:

**BORROWER INFORMATION**

Borrower:

- [Name 1] [OPTION - dba  
[DBA Name]]  
[Address]  
[City, State Zip]

2. [Name 2] [OPTION - dba  
[DBA Name]]  
[Address]  
[City, State Zip]

All requirements in the Authorization which refer to Borrower also apply to any Co-Borrower.

#### **Guarantee Fee**

CFR Reference: 120.220/SOP Reference: [SOP-50-10\(4\), pg. 173, Subpart "A", Chapter 6, Paragraph 7.e. and f.; pg. 214-221-5\(E\), pp. 162-167, Subpart "B", Chapter 53, Paragraph 45V.](#)

**For CAPLines Wizard users:** The CAPLines Wizard automatically inserts the appropriate paragraph below based on the maturity period specified in F.1. **Note:** If two 7(a) loans are approved to the same borrower within 90 days, you must calculate the guarantee fee on the second loan manually. [See SBA Information Notice 5000-802.](#)

- A. THE GUARANTEE FEE IS \$[Amount].

#### ***Insert the following ~~paragraph~~two paragraphs if maturity is more than 12 months***

Lender must pay the guarantee fee within 90 days of the approval date of this Authorization. Failure to timely pay the guarantee fee will result in cancellation of the SBA guarantee. The 90-day deadline may not be extended. ~~Lender must send the guarantee fee to the Small Business Administration, Denver, CO 80259-0001. The remittance check must show the Loan number.~~ Lenders are required to make their payments electronically. Payment can be made at [www.pay.gov](http://www.pay.gov) or by ACH if they have previously enrolled with the SBA. No part of the guarantee fee is refundable if Lender has made any disbursement. Lender may collect this fee from Borrower after initial disbursement of Loan, except when an escrow closing is used. Lender may not collect the fee until all Loan funds have been disbursed to the Borrower from the escrow account.

Borrower may use Loan proceeds to reimburse Lender for the guarantee fee.

For loans of \$150,000 or less, Lender may retain 25% of the guarantee fee but must remit the remainder to SBA.

#### ***Insert the following paragraph if maturity is 12 months or less***

Lender must have paid the guarantee fee prior to SBA signing this Authorization. Any Lender with authority to sign this Authorization on behalf of SBA certifies that it has paid the guarantee fee to the Small Business Administration prior to signing this Authorization. No guarantee exists if Lender has not timely paid the guarantee fee in full. SBA will not refund the guarantee fee after the date of this Authorization except as provided in SBA Standard Operating Procedures. Payment of the guarantee fee is not contingent upon disbursement. Lender may collect this fee from Borrower upon receipt by Lender of the Authorization. Borrower may use Loan proceeds to reimburse Lender for the guarantee fee.

#### **CAIP Approval (MANDATORY for CAIP Applications)**

Guarantee Fee payment by U.S. Community Adjustment and Investment Program (CAIP). [SBA Notices 5000-530 and 5000-657](#) [SOP 50 10 5\(E\), pp. 88-89, Subpart "B", Chapter 1, Paragraph V.A.](#) CAIP Finance Committee approval required. ~~SBA Notice 5000-974.~~ **NOTE: CAIP cannot be used for PLP loans.**

Payment of the guarantee fee by North American Development Bank (NADBank) is subject to the approval of the CAIP Finance Committee. If the Committee does not authorize payment by

NADBank, then responsibility for the fee will remain as otherwise stated in this Authorization. SBA requires Lender to pay the guarantee fee up front as normally required for standard SBA loans. If a CAIP application is officially approved by the CAIP Finance Committee, SBA will reimburse Lender for the guarantee fee, and Lender then must reimburse any portion of the fee previously passed on to Borrower.

#### **ONGOING SERVICING ON-GOING GUARANTEE FEE**

CFR [Reference 120.220/SOP Reference: 50-10\(4\), pg. 222 5\(E\), pp. 167-169](#), Subpart "B", Chapter [53](#), Paragraph [46VI.A](#).

#### **B. ONGOING SERVICING ON-GOING GUARANTEE FEE**

1. Lender agrees to pay SBA an [ongoing-on-going guarantee](#) fee equal to [0.550] of one percent per year of the guaranteed portion of the outstanding balance.
2. Lender may not charge or otherwise pass through this fee to Borrower.

#### ***LENDER'S RESPONSIBILITY***

CFR [Reference 120.400 et seq./SOP Reference: 50-10\(4\), pg. 173-175 5\(E\), pp. 231-253](#), Subpart "[AB](#)", Chapter [67](#), Paragraph [8](#); [pg. 312, Subpart "D", Chapter 1, Paragraph 10IV](#). See also SBA Form 750 Loan Guarantee Agreement and/or SBA Form 750B Loan Guarantee Agreement (Deferred Participation) for Short-Term Loans.

#### **C. IT IS LENDER'S SOLE RESPONSIBILITY TO:**

1. Close the Loan in accordance with the terms and conditions of this Authorization.
2. Obtain valid and enforceable Loan documents, including obtaining 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.
3. Retain all Loan closing documents. Lender must submit these documents, along with other required documents, to SBA for review if Lender requests SBA to honor its guarantee on the Loan, or at any time SBA requests the documents for review.

**REQUIRED FORMS****D. REQUIRED FORMS**

~~Procedural Notice 5000-976 regarding Revised Form 159 (7a) supercedes conflicting provisions of SOP 50-10(4). SOP 50-10(4): pg.157, Subpart "A", Chapter 6, Paragraph 4.h. - **159 required**, and Paragraphs 12 and 13, pg 178-181 on fees and 159; pg. 174, Subpart "A", Chapter 6, Paragraph 8.c. - **Note, Guarantee and 159 required**; pg. 110, Subpart "A", Chapter 5, Paragraph 6.e.(3) - **601 required**; pg. 319 Subpart "D", Chapter 2, Paragraph 4.b. - **1050 required**, (See also SOP 50-50(4), Chapter 9, Paragraph 9 -1050 required for purchase review).~~

~~SOP 50 10 5(E), pp. 233-235, Subpart "B", Chapter 7, Paragraph IV.C.1-6.~~

**For CAPLines Wizard users:** The CAPLines Wizard automatically inserts the references to the forms as applicable.

1. Lender may use its own forms except as otherwise instructed in this Authorization. Lender must use the following SBA forms for the Loan:

~~NOTE: USE OF SBA FORM 147 NOTE, SBA FORM 148 GUARANTEE AND SBA FORM 148L LIMITED GUARANTEE, IS OPTIONAL FOR ALL CAPLINES. IF LENDER USES ITS OWN NOTE AND/OR GUARANTEE FORMS, LENDER MUST ENSURE THE DOCUMENTS COMPLY WITH THE REQUIREMENTS SET FORTH IN SOP 50 10.~~

~~[Option]~~ SBA Form 147, Note

SBA Form 1050, Settlement Sheet, for initial disbursement

~~SBA Form CAP 1050, Lender's Semi-Annual Funds Disbursement Report~~

SBA Form 159 (7a), Compensation Agreement, for each required agent

SBA Form 722, Equal Opportunity Poster

~~[Option]~~ SBA Form 148, Guarantee ~~-[MUST APPEAR when applicable]-~~

~~[Option]~~ SBA Form 148L, Limited Guarantee ~~-[MUST APPEAR when applicable]-~~

SBA Form 601, Agreement of Compliance **[MUST APPEAR when applicable]**

~~CFR 120.194/SOP 50- 10(4) pg. 177-2 - 178 5(E) p. 233, Subpart "AB", Chapter 67, Paragraph 41IV.C.1 and p. 174, Subpart "B", Chapter 3, Paragraph VIII.B.6.~~

2. Lender may use computer-generated versions of mandatory SBA Forms, as long as ~~these versions are exact reproductions~~ the text is identical.

**Select one and only one of the 2 following options**

**Option 1 - for Non-revolving loans**

- ~~3.~~ Lender must submit a copy of each completed SBA ~~Forms~~ Form 159 (7a) by fax or email to the SBA ~~immediately after final disbursement.~~

**Option 2 - for Revolving loans**

- ~~4.3.~~ Lender must submit completed SBA Forms 159 (7a) to the SBA immediately servicing agent after initial disbursement and in conjunction with Lender's 1502 report for the month. Lender must maintain each original SBA Form 159 in its file.

**CONTINGENCIES**

CFR 120.400, 120.441(b) and 120.451(d)/SOP 50-10(4), ~~pg. 305~~ 5(E), p. 230, Subpart "~~DB~~", Chapter ~~4~~, Paragraph ~~17~~.

**E. CONTINGENCIES—SBA issues this Authorization in reliance on representations in the Loan application, including supporting documents. The guarantee is contingent upon Lender:**

1. Having and complying with a valid SBA Loan Guarantee Agreement (SBA Form 750 ~~or~~ and SBA Form 750B for short-term loans, if applicable) and any required supplemental guarantee agreements, between Lender and SBA;
2. Having paid the full guarantee fee in the time and manner required by this Authorization and the ~~SOP~~; SBA Standard Operating Procedures (SOP);
3. Complying with the current SBA Standard Operating Procedures (SOP); including, but not limited to SOP 50-50, Appendix 28 [For SAB CAPLines Only 10 and with the requirements for SAB CAPLines loans found in SOP 50-10(4); all applicable appendices;  
~~3.—SOP 50 10 5(E), pp. 243-253, Subpart C;"B", Chapter 4, and Appendix 9];~~

SOP 50-10(4), pg. 114, Subpart "A", Chapter 57, Paragraph 6.hIV.H.

**Option 1—for ALL CAPLines except Working Capital**

4. Making initial disbursement of the Loan no later than [**number of months - default is 6**] months from the approval date of this Authorization, and making final disbursement in time for all repayments to be concluded by Loan maturity, unless either date is extended by proper SBA procedures;

**Option 2—for ALL Working Capital CAPLines**

5. Making initial disbursement of the Loan no later than [**number of months - default is 6**] months from the approval date of this Authorization, and making final disbursement no later than [**insert date**]. Final disbursement must occur far enough in advance of maturity so that sufficient time is available for the financed assets to be converted to cash in order to make final payment at maturity. If maturity coincides with the scheduled annual review of the Loan, including an annual review conducted by Lender coincidental with the maturity of the Loan, Lender may advance on the line up to maturity in conjunction with the Lender's annual review in accordance with Lender's policies and procedures on its similarly-sized non-SBA guaranteed commercial lines of credit. Any extension of the Loan or term out of the Loan must comply with SBA requirements;
- ~~5-6.~~ Having no evidence since the date of the Loan application, or since any preceding disbursement, of any unremedied adverse change in the financial condition, organization, management, operation, or assets of Borrower which would warrant withholding or not making any further disbursement; and
- ~~6-7.~~ Satisfying all of the conditions in this Authorization.

**MATURITY****F. NOTE TERMS :**

SOP 50-10(4), pg. 203-205, Subpart "B", Chapter 1, Paragraph 7; pg. 261, Subpart "C", Chapter 1, Paragraph 15j.

**Select one and only one of the 2 following options****Option 1 - for all Non-revolving loans**

1. **Maturity:** This is a non-revolving Loan. This Note will mature in ~~[number of years and/or number of months]~~ from ~~[SELECT date of Note OR date of initial disbursement]~~.

**Option 2 - for all Revolving loans**

2. **Maturity:** This is a revolving Loan. The required SBA Form 147 Note is the master note. This Note will mature \_\_\_\_\_ months from ~~[SELECT date of Note OR date of initial disbursement]~~. Sub notes, if used, will mature based on the Borrower's ~~[AUTOMATIC SELECTION cash cycle, seasonal cycle, contract final payment date, project completion date]~~. No sub note may have a maturity date later than the Note.

For CAPLines Wizard users:

Repayment Terms section starts here...

**F. NOTE TERMS :**

SOP 50-10(4), pg. 212 5(E), p. 233, Subpart "B", Chapter 47, Paragraph 12- General SBA Note Requirements; pg. 263IV.C.2, and pp. 243-253, Subpart "CB", Chapter 47, Paragraph 15.l. -- Master Notes and SubnotesIV.H.

**3-1. Repayment Terms:****— FORM OF NOTE**

If Lender uses its own Note, Lender must comply with the repayment terms set forth below and must assure the Note is legally enforceable and assignable, has a stated maturity and is not payable on demand. The Note must include the following language:

"When SBA is the holder, this Note will be interpreted and enforced under federal law, including SBA regulations. Lender or SBA may use state or local procedures for filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using such procedures, SBA does not waive any federal immunity from state or local control, penalty, tax or liability. As to this Note, Borrower may not claim or assert against SBA any local or state law to deny any obligation, defeat any claim of SBA, or preempt federal law."

If Lender uses SBA Form 147, Lender must insert ~~onto SBA~~into Note, ~~Form 147~~, to be executed by the Borrower, the following ~~repayment~~ terms, without modification. Lender must complete all blank terms on the Note at time of closing:

**MATURITY**

[CFR 120.212/SOP 50 10 5\(E\), pp. 151-155, Subpart "B", Chapter 3, Paragraph III.E and p. 233, Subpart "B", Chapter 7, Paragraph IV.B.2.d\).](#)

**Select one and only one of the 2 following options**

**Option 1 - for ~~all Non-revolving loans~~ Working Capital CAPLines**

2. ~~\_\_\_\_\_ This is a non-revolving Loan.~~ **Maturity:** This is a revolving Loan. The SBA Form 147 Note or Lender's Own Note is the Master Note ("Note"). This Note will mature **[number of years and/or number of months]** from **[SELECT - date of Note - OR - date of initial disbursement]**. Sub-notes, if used, will mature based on the Borrower's cash cycle. No sub-note may have a maturity date later than the Note. Based on the original maturity, if the Lender determines extension of the maturity of the Note is necessary, Lender must take appropriate action in accordance with SOP 50 10 (including the payment of any additional guarantee fee, if applicable) to extend the maturity far enough in advance of the maturity date identified above to complete the extension prior to maturity.

**Option 2 - for all CAPLINES except Working Capital**

**Maturity:** This is a revolving Loan. The SBA Form 147 Note or Lender's Own Note is the Master Note ("Note"). This Note will mature ~~in~~ **[number of years and/or number of months]** from **[SELECT - date of Note - OR - date of initial disbursement]**.

**Option 2 - for all Revolving loans**

3. ~~\_\_\_\_\_ This is a revolving Loan. The required SBA Form 147 Note is the master note. This Note will mature \_\_\_\_\_ months from [SELECT - date of Note - OR - date of initial disbursement].~~ Sub-notes, if used, will mature based on the Borrower's **[AUTOMATIC SELECTION - cash cycle, Seasonal CAPLines -- seasonal cycle,] [OR Contract CAPLines - contract final payment date,] [OR Builder's CAPLines -- project completion date]**. No sub-note may have a maturity date later than the Note.

**INTEREST RATE OPTIONS**

[CFR 120.213 through 120.215/SOP 50- 10\(4\), pg. 205-212 5\(E\), pp. 155-162, Subpart "B", Chapter 4, Paragraphs 8-13, interest rate rules; pg 261, Subpart "C", Chapter 13, Paragraph 15hIV, Interest Rates.](#)

**Select one and only one of the 2 following options**

**Option 1 - Fixed Rate**

The interest rate is **[interest rate]**% per year. The interest rate may only be changed in accordance with SOP 50 10.

**Option 2 - Variable Rate**

The interest rate on this Note will fluctuate. The initial interest rate is **[initial interest rate]**% per year. This initial rate is the **[prime rate/SBA Optional Peg Prime Rate]/SBA Optional Peg Rate/LIBOR Base Rate** in effect on the ~~date~~ first business day of the month in which SBA received the ~~loan~~ Loan application, plus [% over **[prime rate/SBA Optional Peg Rate]]%**. Prime Rate/SBA Optional Peg Rate/LIBOR Base Rate]. The initial interest rate must remain in effect until the first change period begins unless changed in accordance with SOP 50 10.

***The following paragraph must appear if Loan is Revolving for All Loans***

Interest rate computations are based on the [Option ~~—{average}—~~] daily outstanding balance.

**PAYMENT TERM OPTIONS*****Select one and only one of the 5 following options******Option 1.1 - For CONTRACT CAPLines—Optional***

Borrower must pay interest on the outstanding principal balance every month beginning [SELECT - one month, two months, three months, four months, five months, six months] from the month [SELECT (same as in F.2.) - this Note is dated - OR - of initial disbursement on this Note]; monthly interest payments must be made on the [SELECT - calendar day, first calendar day, second calendar day, etc., same day as the date of this Note, same day as the date of initial disbursement on this Note] in the months they are due. Borrower must make additional payments as follows:

***Choose 1 and only 1 of the 5 following options******Option 1.1 - No Assignment of Proceeds  
Interest Only during Performance and Full Principal  
at Contract Final Payment Date***

The full amount of the Principal disbursed for any Contract, Subcontract, or Purchase Order must be fully repaid by contract final payment date of that Contract, Subcontract, or Purchase Order.

***Option 1.2 - No Assignment of Proceeds  
Principal tied to Borrower's Receipt of Payments  
Proceeds Finance All Costs of each Contract/Subcontract/Purchase Order***

Borrower to remit all payments received from the party authorizing payment for the Contract, Subcontract, or Purchase Order to Lender. Lender will apply each payment first to interest as scheduled and the balance to principal.

The full amount of Principal disbursed for any Contract, Subcontract, or Purchase Order must be fully repaid by the contract final payment date of that Contract, Subcontract, or Purchase Order.

***Option 1.3 - No Assignment of Proceeds  
Principal tied to Borrower's Receipt of Payments  
Proceeds Finance Selected Costs of each  
Contract/Subcontract/Purchase Order***

From EVERY payment received, Borrower must remit to Lender the required percentage, as established in the Use of Proceeds and Conditions for Disbursement Section below, for any Contract, Subcontract, or Purchase Order financed with this Loan. Lender will apply each payment first to interest as scheduled and the balance to principal.

The full amount of Principal disbursed for any Contract, Subcontract, or Purchase Order must be fully repaid by contract final payment date of that Contract, Subcontract, or Purchase Order.

***Option 1.4 - Assignment of Proceeds  
Principal tied to Receipt of Payments and***

**Proceeds Finance All Costs of Single/Multiple  
Contract/Subcontract/Purchase Order**

For EVERY Contract, Subcontract, or Purchase Order financed with this Loan, Borrower must assign all proceeds to Lender. Lender will apply each payment first to interest as scheduled and the balance to principal.

**Option 1.5 - Assignment of Proceeds  
Principal tied to Receipt of Payments and  
Proceeds Finance Selected Costs of Single/Multiple  
Contract/Subcontract/Purchase Order**

For EVERY Contract, Subcontract, or Purchase Order financed with this Loan, Borrower must assign all proceeds to Lender. Lender will retain the required percentage of each payment received, as established in the Use of Proceeds and Conditions for Disbursement Section. Lender will apply that portion of each payment first to interest as scheduled and the balance to principal. Lender must remit to Borrower the remainder of each payment received under the assignment, as long as Borrower is not in default under this Note.

**Option 2 - For SEASONAL CAPLines**

**Option 2.1 - Monthly Interest Payment**

Borrower must pay interest on the outstanding principal balance every month beginning [SELECT - one month, two months, three months, four months, five months, six months] from the month [SELECT (same as in F.2.) - this Note is dated - OR - of initial disbursement on this Note]; monthly interest payments must be made on the [SELECT - \_\_\_\_\_ calendar day, first calendar day, second calendar day, etc., same day as the date of -this Note, same day as the date of initial disbursement on this Note] in the months they are due.].  
Borrower must make additional payments as follows:

**Option 1.2.A - For Single CONTRACT CAPLines - Mandatory**

~~Borrower must assign all contract proceeds to Lender. Lender will apply \_\_\_\_% of the contract proceeds until the outstanding loan balance is paid. The percentage of contract proceeds must be sufficient to fully repay all funds drawn on this loan for the specific contract plus accrued interest. The minimum percentage is the cost of goods sold divided by the total contract price. Lender may increase the percentage to allow for retainage by the contract obligor. Lender must pay all remaining contract proceeds to the Borrower, as long as Borrower is not in default under this Note. Lender will apply each payment first to interest accrued to the date of receipt of payment and the balance to principal.~~

**Option 1.2.B - For Multiple CONTRACT CAPLines - Mandatory**

~~Borrower must assign all contract proceeds to Lender. Each contract financed by this loan must have a percentage of contract proceeds applied to the outstanding loan balance sufficient to fully repay all funds drawn on this loan for that specific contract plus accrued interest. The minimum percentage is the cost of goods sold divided by the total contract price. Lender may increase the percentage to allow for retainage by the contract obligor. Lender will apply each payment first to interest accrued to the date of receipt of payment, and the balance to principal.~~

**Option 2.1 - For SEASONAL CAPLines****Option 2.1.A - Interest - Optional**

~~Borrower must pay interest on the outstanding principal balance every month beginning [SELECT - one month, two months, three months, four months, five months, six months] from the month [AUTOMATICALLY SELECT BASED ON LOAN INFORMATION - this Note is dated - OR - of initial disbursement on this Note]; interest payments must be made on the [SELECT - \_\_\_\_\_ calendar day, first calendar day, second calendar day, etc., same day as the date of this Note, same day as the date of initial disbursement on this Note]. Borrower must make additional payments as follows:~~

**Option 2.1.B - \_\_\_\_\_ Principal plus Interest**

~~Principal payments are to be made upon receipt of proceeds from sale of seasonal inventory and collection of accounts. Lender will apply each payment first to interest accrued to the date of receipt of payment, and the balance to principal. At the conclusion of each season for which funds are advanced, any remaining principal and interest attributable to that season will become immediately due and payable.~~

**Option 2.2 - Regular No Monthly Interest Plus Seasonal Payment**

~~Principal payments are to be made upon receipt of proceeds from sale of seasonal inventory and collection of accounts. Lender will apply each payment first to interest accrued to the date of receipt of payment, and the balance to principal. At the conclusion of each season for which funds are advanced, any remaining principal and interest attributable to that season will become immediately due and payable.~~

~~Option 3 - For BUILDER'S CAPLines - Borrower must pay interest on the outstanding principal balance every month, plus principal payments of \$[Amount] in the month(s) of [list of months] inclusive. Principal payments must be made on the [SELECT - \_\_\_\_\_ calendar day, first calendar day, second calendar day, etc., same day as the date of this Note, same day as the date of initial disbursement on this Note] in the months they are due.~~

**Option 2.3 - Seasonal Monthly P And I, Differing Payment Amounts**

~~Borrower must pay interest on the outstanding principal balance every month beginning one month from the month [this Note is dated - OR - of initial disbursement on this Note], plus principal payments of [\$Amount] in the months of [list of months] inclusive, and principal payments of [\$Amount] in the months of [list of months] inclusive. Payments must be made on the [SELECT - \_\_\_\_\_ calendar day, first calendar day, second calendar day, etc., same day as the date of this Note, same day as the date of initial disbursement on this Note].~~

**Option 3 - For BUILDER'S CAPLines**

~~Borrower must pay interest on the outstanding principal balance every [SELECT - month, two months, three months, four months, five months, six months] beginning six months from the month [SELECT (same as in F.1.) - this Note is dated - OR - of initial disbursement on this Note]; interest payments must be made on the [SELECT - \_\_\_\_\_ calendar day, first calendar day, second calendar day, etc., - this Note is dated - OR - of initial disbursement on this Note]; interest payments must be made on the [SELECT - \_\_\_\_\_ calendar day, first calendar day, second calendar day, etc., same day as the date of -this~~

Note, same day as the date of initial disbursement on this Note] in the months they are due. Borrower must make additional payments as follows:

**Option 3.A1 - For Single BUILDER'S CAPLines — Mandatory**

~~The~~ The project financed by this loan must have an amount of sale proceeds applied to the outstanding loan balance sufficient to fully repay all funds drawn on this loan. Lender will apply each payment first to interest accrued to the date of receipt of payment, and the balance to principal.

**Option 3.2 - For Multiple BUILDER'S CAPLines — Mandatory**

Each project financed by this loan must have an amount of sale proceeds applied to the outstanding loan balance sufficient to fully repay all funds drawn on this loan ~~for that specific project.~~ Lender will apply each payment first to interest accrued to the date of receipt of payment, and the balance to principal.

**Option 3.B4 - For Multiple BUILDER'S All Working Capital CAPLines — Mandatory**

~~Each project financed by this loan must have an amount of sale proceeds applied to the outstanding loan balance sufficient to fully repay all funds drawn on this loan for that specific project. Lender will apply each payment first to interest accrued to the date of receipt of payment, and the balance to principal.~~

**Option 4 - For SMAB CAPLines — Optional**

~~Borrower must pay interest on the outstanding principal balance every month beginning one month from the month [AUTOMATICALLY SELECT BASED ON LOAN INFORMATION - (same as in F.2.) this Note is dated - OR - of initial disbursement on this Note]; monthly interest payments must be made on the [SELECT - \_\_\_\_\_ calendar day, first calendar day, second calendar day, etc., same day as the date of this Note, same day as the date of initial disbursement on this Note].~~ Borrower must make additional payments as follows:

**Option 4.B - For SMAB CAPLines — Mandatory**

~~[Principal p] [P]ayments payments to be made upon receipt of proceeds from sale of inventory cash sales and collection of accounts financed with the loan proceeds receivable collections.~~ Lender will either apply each payment first to interest accrued to the date of receipt of payment, and the balance to principal or first to interest as scheduled and the balance to principal.

**Option 5 - For SAB CAPLines**

~~Borrower must pay interest on the outstanding principal balance every month beginning one month from the month [AUTOMATICALLY SELECT BASED ON LOAN INFORMATION - this Note is dated - OR - of initial disbursement on this Note]; monthly interest payments must be made on the [SELECT - \_\_\_\_\_ calendar day, first calendar day, second calendar day, etc., same day as the date of this Note, same day as the date of initial disbursement on this Note].~~ Borrower must make additional payments as follows:

~~Principal payments to be made upon receipt of proceeds from sale of inventory and collection of accounts. Lender will apply each payment first to interest accrued to the date of receipt of payment, and the balance to principal.~~

SOP 50-10(4), pg. 212, Subpart "B", Chapter 1, Paragraph 12- General SBA Note Requirements; pg. 263, Subpart "C", Chapter 1, Paragraph 15- Master Notes and Subnotes.

***For SAB Only — Select 5.A or 5.B — Mandatory***

***Option 5.A — For Low Funds Control***

— Lender to clear or sweep the cash collateral account at their discretion, but no less frequently than weekly, and apply all proceeds to the outstanding interest and principal of the Asset Based loan.

***Option 5.B — For High Funds Control***

— Lender to immediately apply all funds received from Borrower and/or Borrower's customers to the outstanding interest and principal of the Asset Based loan. If a lock box is used, the box must be swept no less frequently than weekly and funds collected must be used to pay down the Asset Based loan.

**ADDITIONAL REPAYMENT TERM PROVISIONS**

***The following paragraphs must appear in all variable rate loans***

SOP 50-10(4), pg. 205-212 5(E), pp. 158-160, Subpart "B", Chapter 1, Paragraphs 8, 10 and 13. and SOP 50-10(4), pg. 261, Subpart "C", Chapter 13, Paragraph 15h.

The maximum initial rate of interest is prime plus 2.25%. Additional interest rates for smaller loans rate are applicable for CAPLines V.C.

The "SBA Optional Peg Rate" is the rate published by SBA in the Federal Register for every calendar quarter.

The interest rate will be adjusted [**SELECT** - monthly, ~~bimonthly~~, quarterly, semi-annually, annually, every calendar quarter, every calendar year, every [**number of months**] months, every [**number of years**] years] (the "change period").

[**Select**--The "Prime Rate" is the ~~prime rate~~ Prime Rate in effect on the first business day of the month (as published in the [**name of publisher**] [**SELECT**—newspaper or website]) in which ~~an SBA~~ received the application, or the first day of the month in which any interest rate change occurs, ~~as published in the Wall Street Journal on the next business day.~~ **or** The "SBA Optional Peg Rate" is the 'peg' rate published by SBA in the Federal Register for every calendar quarter. ~~].~~ **or** The "LIBOR Base Rate" is the combination of the One Month London Interbank Offered Rate in effect on the first business day of the month (as published in a national financial newspaper or website) in which SBA received the application, or the first day of the month in which any interest rate change occurs, plus an additional 3.0 percentage points.] Base rates will be rounded to two decimal places with .004 being rounded down and .005 being rounded up.

The adjusted interest rate will be [% above the [~~prime rate~~ Prime Rate/SBA Optional Peg Rate/LIBOR Base Rate]]% above the [**Prime Rate**/SBA **Optional Peg Rate**/LIBOR Base Rate]. Lender will adjust the interest rate on the first calendar day of each change period. The change in interest rate is effective on that day whether or not Lender gives Borrower notice of the change. ~~The initial interest rate must remain in effect until the first change period begins.~~

The base rate or the spread as identified in the Note may not be changed during the life of the Loan without the written agreement of Borrower in accordance with SOP 50 10.

The interest rate adjustment period may only be changed in accordance with SOP 50 10.

If SBA purchases the guaranteed portion of the unpaid principal balance, the interest rate becomes fixed at the rate in effect at the time of the earliest uncured payment default. If there is no uncured payment default, the rate becomes fixed at the rate in effect at the time of purchase.

***The 2 following paragraphs must always appear***

SOP 50-10(4), pg. 203 5(E), pp. 243-253, Subpart "B", Chapter 47, Paragraph 7IV.H.

All remaining principal and accrued interest is due and payable [**Maturity period - same as in F.12.**] from [**SELECT - Same as in F.12** - date of Note - OR - date of initial disbursement].

Lender will have no obligation to advance funds under this Note if Lender determines: (a) there is any default as defined in this Note; (b) there has been an unremedied adverse change in the financial condition, organization, management, operation, or assets of Borrower which would warrant withholding or not making any further disbursement; (c) Borrower has used Loan funds for unauthorized purposes; or (d) Borrower has not complied with Lender's conditions for disbursement or other agreements.

***The following extraordinary servicing fee provision is optional***

Lenders do not have to charge an extraordinary servicing fee. If a fee will be charged, Option 1 is for Contract, Seasonal, ~~and~~ Builder's ~~and SMAB~~ Loans. For these Loans the servicing fee may not exceed 2%. Option 2 is for SABWorking Capital Loans. The servicing fee for these loans must be reasonable, based on the amount of actual extra servicing required by the Loan, and consistent with the fees charged non-SBA Borrowers for similar services. SOP 50-10(4), 5(E), pp. 170-171, Subpart "CB", Chapter 4, pg. 2593, Paragraph 45d., Paragraph 19t., pg. 297; Paragraph 20e.(6)VI.C.

***Option 1 – for all CAPLines except SABWorking Capital***

Lender may charge an extraordinary servicing fee of [**Percent**] % per year of the outstanding loan balance. This fee may be charged monthly and will be computed by multiplying [**(Above Percent divided by 100)/12 - computed by computer**] by either the average daily or monthly outstanding balance for each month. SBA's guarantee does not extend to extraordinary servicing fees and, at time of guarantee purchase, SBA will not pay any portion of such fees.

***Option 2 - for SABWorking Capital Loans Only***

Lender may charge ~~additional extraordinary servicing~~ the Borrower a servicing fee to cover expenses for extraordinary servicing requirements connected with the Loan. The fee must be reasonable and prudent based on the level of extraordinary effort required. In addition, if the Lender charges an extraordinary servicing fee on its similarly-sized, non-SBA guaranteed commercial loans, it cannot charge a higher fee on its SBA-guaranteed loans. SBA's guarantee does not extend to extraordinary servicing fees and, at time of guarantee purchase, SBA will not pay any portion of such fees.

**The following state interest rate reduction provision is optional**

In the event that Borrower qualifies for the [Name of program, such as LIFT Focused Small Business Program], Lender may accept a lower interest rate and resulting lower payments. If Borrower no longer qualifies for the [Name of program - same as above] or is in default under the terms of this Note, then the interest rate and payment will revert to the interest rate and payment specified above.

**Repayment terms - Open Options  
(Can be used to insert additional repayment terms as needed)**

**STATE SPECIFIC LANGUAGE**

**For CAPLines Wizard users:** The CAPLines Wizard automatically inserts the following options as appropriate.

**The following must appear when lien is on residential property located in California**

4. Lender must include in the Note the following language for residential property located in California:

*"Borrower acknowledges this Note is secured by a Deed of Trust in favor of Lender on real property located in \_\_\_\_\_ County, State of California. That Deed of Trust contains the following due-on-sale provision:..."* (Lender 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**

5. 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 (Lender) 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**

6. Lender 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**

7. Lender 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***

8. Lender 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***

9. Lender, ~~at its option, may~~ must 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***

10. Lender, 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***

11. Lender, at its option, may include confession of judgment clauses (cognitive judgment provisions) in the Note for borrower(s) resident in Ohio.

***The following must appear if any borrower or guarantor is resident of Missouri***

12. Lender 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 CAPLines Wizard users:

Use of Proceeds section starts here...

**G. USE OF PROCEEDS AND CONDITIONS FOR DISBURSEMENT**

CFR 120.120 and 120.130/SOP 50-10(4), pg. 51-60-3 5(E), pp. 131-145, Subpart "AB", Chapter 2, Paragraphs 10-13, Paragraph IV.M., Eligible Uses of Loan Proceeds, pp. 144-145 apply to CAPLines specifically. General SBA rules on use of proceeds. Lender may not split one loan into two loans if the use of proceeds is the same for both loans.

**Option 1 – Contract CAPLines****Choose from the Following  
4 Options****Option 1.1 – All Costs for Single Contract,  
Subcontract or Purchase Order**

**The following paragraph Contract/Subcontract/Purchase Order must appear be fully described when refinancing an existing debt in All CAPLines**

- ~~1. The initial disbursement must be used to refinance an existing [Debt Instrument] payable to [Name of Lender] in the amount of [\$Amount]. OR The initial disbursement the Loan finances some or all of the cost of one Contract/Purchase Order/Subcontract. When the Loan finances multiple Contracts/Subcontracts/Purchase Orders, the description must be used to refinance existing: (a) [Debt Instrument] payable to [Name of Lender] in the amount of [\$Amount], and (b) [Debt Instrument] payable to [Name of Lender] in the amount of [\$Amount]. Etc. OR [Write your own.]~~

**INSERT ONE AND ONLY ONE OF THE FOLLOWING  
7 Options (PROJECT COLLATERAL)****Option 1 – for CONTRACT CAPLines  
with SINGLE in sufficient detail to match contract**

For U.S. Government requirements to contract, specify Federal Contract Number; for all other disbursements. The description can include such information as the name of the paying party, contract, insert identification number, description of work, and/or approval date.

- ~~2.1. Loan proceeds must only be used for payment of labor to pay those costs (including General & Administrative [G&A] and materials [option: (specified below)] directly Overhead) associated with Borrower performing the contract Contract, Subcontract, or Purchase Order with [name of other party to contract] [link to 2(e)] authorizing payment in the approximate amount of \$ [Contract, Subcontract, or Purchase Order amount], [ ] [SELECT - federal contract number, and described as Federal Contract Number [contract number] - OR - [SELECT - described as [Description of contract] - AND/OR - dated [Date of Contract]]]. Proceeds may not finance any profit or any G&A or Overhead not allocable to the Contract, Subcontract, or Purchase Order.~~

~~option: list items~~ **Option 1.2 – All Costs for Multiple Contracts, Subcontracts or Purchase Orders**

2. Loan proceeds must only be used to pay those costs (including General & Administrative [G&A] and Overhead) associated with Borrower performing the Contracts, Subcontracts, or Purchase Orders financed with this Loan. Proceeds may not finance any profit or any G&A or Overhead not allocable to the Contracts, Subcontracts, or Purchase Orders financed with this Loan.

**Option 1.3 – Selected Costs of Single Contract, Subcontract or Purchase Order**

3. Loan proceeds must only be used to pay those costs specifically identified below, which are directly associated with Borrower performing the Contract, Subcontract, or Purchase Order with [name of party authorizing payment] in the approximate amount of \$[Contract, Subcontract, Purchase Order amount], and described as [SELECT – Federal Contract Number [contract number] – OR – [SELECT – described as [Description of contract]] – dated [Date of Contract, Subcontract, or Purchase Order] ] ]. Proceeds may not finance any profit or any G&A or Overhead not allocable to the Contract, Subcontract, or Purchase Order.

The following costs of performing the above referenced Contract, Subcontract, or Purchase Order may be financed with this Loan:

[List specific costs to be financed and approximate amount]

- a. [Item \_\_\_\_\_ \$] \_\_\_\_\_  
    \$[Amount]

**Option 1.4 – Selected Costs for Multiple Contracts, Subcontracts or Purchase Orders**

4. Loan proceeds must only be used to pay those costs specifically identified below in the conditions that must be met prior to disbursement. The costs must be directly associated with Borrower performing the Contracts, Subcontracts, or Purchase Orders financed with this Loan. Proceeds may not finance any profit or any G&A or Overhead not allocable to the Contracts, Subcontracts, or Purchase Orders financed with this Loan.

**Option 1.5 – Single Contract, Subcontract or Purchase Order (Automatic Selection with Options 1.1 or 1.3)**

3-5. Prior to initial disbursement, Lender must:

- a. Obtain copy of the executed ~~contract~~ Contract, Subcontract, or Purchase Order to be financed with the Loan proceeds.
- b. Perfect all liens and verify that the required lien positions have been obtained.
- b-c. If Required: Obtain copy of the executed assignment of the contract proceeds.
- e-d. If Required: Obtain written acknowledgement of this assignment from [name of ~~person paying on the contract same as above~~ party authorizing payment] as follows:
- (1) All contract proceeds have been assigned to Lender.

(2) All contract proceeds will be sent directly to Lender.

- e. Obtain evidence that Borrower is current on all Federal and State taxes, including but not limited to income taxes, payroll taxes, and sales taxes.
- f. If proceeds do not cover all costs associated with each Contract, Subcontract, or Purchase Order, Lender must establish the costs that will be financed and establish the percentage of each payment to be applied to the Loan balance. Lender may increase the percentage to allow for retainage by the contract obligor.
- g. If contract assignment is not required, document the conditions specified in SOP 50 10 that justify no assignment.

**Option 1.6 – Multiple Contracts, Subcontracts or Purchase Orders**  
**(Automatic Selection with Options 1.2 or 1.4)**

6. Prior to initial disbursement on each Contract, Subcontract, or Purchase Order, Lender must:
- a. Obtain copy of the executed Contract, Subcontract, or Purchase Order.
  - b. Perfect all liens and verify that the required lien positions have been obtained.
  - c. If Required: Obtain copy of the executed assignment of the contract proceeds.
  - d. If Required: Obtain written acknowledgement of this assignment from [name of party authorizing payment] as follows:
    - (1) All contract proceeds have been assigned to Lender.
    - (2) All contract proceeds will be sent directly to Lender.
  - e. Obtain evidence that Borrower is current on all Federal and State taxes, including but not limited to income taxes, payroll taxes, and sales taxes.
  - f. Obtain month-to-month cash-flow projections covering the term of each Contract, Subcontract, or Purchase Order to determine appropriate disbursement and repayment timeframe.
  - g. If proceeds do not cover all costs associated with each Contract, Subcontract, or Purchase Order, Lender must establish the costs that will be financed and establish the percentage of each payment to be applied to the Loan balance. The percentage which Lender can retain and apply to the Loan equals the percent of the total cost of the Contract, Subcontract, or Purchase Order which the Loan financed plus enough to cover the accrued interest due. Lender may increase the percentage to allow for retainage by the contract obligor.
  - h. If contract assignment is not required, document the conditions specified in SOP 50 10 that justify no assignment.

**Option 2 – SEASONAL CAPLines**

**Option 2.1 – SINGLE Season**

7. Loan proceeds must be used to finance the seasonal increases of accounts receivable and inventory (or in some cases associated increased labor costs).
8. Prior to initial disbursement, Lender must:
- d.a. Perfect all liens and verify that the required lien positions have been obtained.

e.b. Obtain evidence that Borrower is current on all Federal and State taxes, including but not limited to income taxes, payroll taxes, and sales taxes.

**Mandatory if Borrowing Base Certificate Required**

9. Prior to any disbursement, Lender must obtain and reconcile current monthly borrowing base certificate.

**Option 2 -- for CONTRACT CAPLines with 2 -- MULTIPLE contracts Seasons**

**Mandatory**

4. ~~Loan proceeds must be used for payment of labor and materials directly associated with Borrower performing eligible contracts.~~

**Optional**

Paragraph 5. below is to be used only if there is a specific, identifiable first contract, to finance the Loan Officer can describe. If first contract is a U.S. Government contract, specify Federal Contract Number; otherwise insert a description and/or date for the contract. If there isn't a specific identifiable contract, then the Loan officer should NOT select Paragraph 5.

5. ~~Loan proceeds must initially be used for payment of labor and materials [option: (specified below)] directly associated with Borrower performing the contract with [name of other party to contract] in the approximate amount of \$[Contract amount], [SELECT - federal contract number [contract number] - OR - [SELECT - described as [Description of contract] - AND/OR - dated [Date of Contract] ] ].~~

~~[option: list items]~~

a. ~~Item \_\_\_\_\_ \$Amount~~

**All Multiple**

6. ~~Prior to initial disbursement on each contract, Lender must:~~

- a. ~~Obtain copy of the executed contract.~~
- b. ~~Obtain copy of the executed assignment of the contract proceeds.~~
- c. ~~Obtain written acknowledgement of this assignment from the procuring authority as follows:
 
  - (1) ~~All contract proceeds have been assigned to Lender.~~
  - (2) ~~All contract proceeds will be sent directly to Lender.~~~~
- d. ~~Perfect all liens and verify that the required lien positions have been obtained.~~
- e. ~~Obtain evidence that Borrower is current on all Federal and State taxes, including but not limited to income taxes, payroll taxes, and sales taxes.~~
- f. ~~Obtain month to month cash flow projections covering the contract term to determine appropriate disbursement and repayment timeframe.~~
- g. ~~Establish the percentage of each contract payment to be applied to the outstanding balance.~~

***Option 3 – for SEASONAL CAPLines  
with SINGLE season***

~~7.10.~~ Loan proceeds must be used for payment of labor and materials ~~[option: (specified below)]~~ directly related to Borrower financing seasonal increases in sales activity of accounts receivable and inventory (or in some cases associated increased labor costs).

~~[option: list items]~~

a. ~~Item~~ ~~\$Amount~~

~~8.11.~~ Prior to initial disbursement, Lender must:

- a. Perfect all liens and verify that the required lien positions have been obtained.
- b. Obtain evidence that Borrower is current on all Federal and State taxes, including but not limited to income taxes, payroll taxes, and sales taxes.

~~9.~~ Prior to any disbursement, Lender must obtain and reconcile current monthly borrowing base certificate.

***Option 4 – for SEASONAL CAPLines  
with MULTIPLE seasons***

~~10.~~ Loan proceeds must be used for payment of labor and materials ~~[option: (specified below)]~~ directly related to Borrower financing seasonal increases in sales activity.

~~[option: list items]~~

a. ~~Item~~ ~~\$Amount~~

~~11.~~ Prior to initial disbursement on the Master Note, Lender must:

- a. ~~Perfect all liens and verify that the required lien positions have been obtained.~~
- b. ~~Obtain evidence that Borrower is current on all Federal and State taxes, including but not limited to income taxes, payroll taxes, and sales taxes.~~

~~12.~~ Prior to any disbursement, Lender must obtain and reconcile current monthly borrowing base certificate.

~~13.12.~~ Additionally, prior to each season's initial disbursement, Lender must:

- a. Verify that the required lien positions are in place.
- b. Obtain evidence that Borrower is current on all Federal and State payroll taxes.
- c. Obtain month-to-month cash-flow projections for the season to determine appropriate disbursement and repayment timeframe.

***Mandatory if Borrowing Base Certificate Required***

13. Prior to any disbursement, Lender must obtain and reconcile current monthly borrowing base certificate.

**Option 5 – for BUILDER’S3 – BUILDER’s CAPLines**  
**with**

**Option 3.1 – SINGLE buildingsBuilding**

14. Loan proceeds must be used solely for payment of direct expenses related to **[Select 1 or more as applicable - acquiring, constructing, renovating]** the individual **[Select - residential - or - commercial]** building **[SELECT - , described as [Description] - OR/AND - , located at [Location]-,]],** for resale.
- Borrower may use no more than 5% of the Loan proceeds disbursed for any project for site improvements to any common area (curb, sidewalk, common landscaping) of the renovated or constructed project.
  - Borrower may use no more than 20% of the Loan proceeds disbursed for any project for land acquisition, including refinancing.
15. Prior to initial disbursement, Lender must:
- Perfect all liens and verify that the required lien positions have been obtained.
  - Obtain evidence that Borrower is current on all Federal and State taxes, including but not limited to income taxes, payroll taxes, and sales taxes.
  - Obtain evidence that Borrower will either perform the construction and/or renovation work or manage the project with at least one supervisory employee on the job site during the entire construction phase.
16. During the course of construction and prior to final disbursement, Lender must make interim and final inspections to determine that construction conforms to the plans and specs and to obtain lien waivers and releases at appropriate times from all materialmen, contractors, and subcontractors receiving Loan funds or involved in the construction.

**Option 6 – for BUILDER’S CAPLines**  
**withOption3.2 – MULTIPLE buildingsBuildings**

17. Loan proceeds must be used solely for payment of direct expenses related to acquiring, constructing or renovating an individual residential building or commercial buildings for sale.
- Borrower may use no more than 5% of the Loan proceeds disbursed for any project for site improvements to any common area (curb, sidewalk, common landscaping) of the renovated or constructed project.
  - Borrower may use no more than 20% of the Loan proceeds disbursed for any project for land acquisition, including refinancing.
18. Loan proceeds must initially be used solely for payment of direct expenses related to **[Select 1 or more as applicable - acquiring, constructing, renovating]** the individual **[Select - residential - or - commercial]** building **[SELECT - , described as [Description] - OR/AND - , located at [Location]-,]],** for resale.
19. Prior to initial disbursement (for the initial building AND any subsequently financed buildings), Lender must:
- Perfect all liens and verify that the required lien positions have been obtained.

- b. Obtain evidence that Borrower is current on all Federal and State taxes, including but not limited to income taxes, payroll taxes, and sales taxes.
  - c. Have evidence that permanent mortgage money is available to qualified purchasers of such properties, a market exists for the proposed building, and the proposed building will be compatible with its neighborhood.
  - d. Obtain completed SBA Form 601, Agreement of Compliance, as required, properly executed by borrower/contractor and all subcontractors.
  - e. Obtain a firm written proposal of construction costs by line item for each individual project, based upon the licensed architect approved plans and specifications.
  - f. Obtain a monthly projection of project(s) and CAPLine activity to illustrate peak cash needs, CAPLine balance, authorized advances, and repayment.
  - g. Obtain evidence that Borrower will either perform the construction and/or renovation work or manage the project with at least one supervisory employee on the job site during the entire construction phase.
20. During the course of construction and prior to final disbursement for each individual building, Lender must make interim and final inspections to determine that construction conforms to the plans and specs and to obtain lien waivers and releases at appropriate times from all materialmen, contractors, and subcontractors receiving Loan funds or involved in the construction.

**Option 7 – for SAB and SMAB4 – WORKING CAPITAL CAPLines**

SOP 50-10(4), pg. 294 5(E), pp. 136-137, Subpart “~~C~~”, “B”, Chapter 42, Paragraph 49(l) re Accounts Receivable; V.E.11 Refinance; SOP 50-10(4), pg. 292 5(E), pp. 144-145, Subpart “~~C~~B”, Chapter 42, Paragraph 49(m) re Inventory; V.M.4. Working Capital Uses of Proceeds; SOP 50 10 5(E), pp. 246-253, Subpart “B”, Chapter 7, Paragraph IV.H.4. re disbursement, examination, monitoring, and funds control requirements.

21. ~~To~~ Loan proceeds are to be used for payment of short term working capital/operating needs associated with the Borrower’s operation.

**Option 4.1 – The following paragraph must appear when refinancing an existing debt**

22. The initial disbursement must be used to refinance an existing [Debt Instrument] payable to [Name of Lender] in the amount of [\$Amount].- OR - The initial disbursement must be used to refinance existing: (a) [Debt Instrument] payable to [Name of Lender] in the amount of [\$Amount], and (b) [Debt Instrument] payable to [Name of Lender] in the amount of [\$Amount].

**Option 4.2 – Mandatory if Borrowing Base Certificate Required**

- ~~22,23.~~ Loan proceeds may be disbursed up to the lesser of \$ [Loan Amount] or  
**[SELECT one of the following -**  
 - **EITHER -**  
**[Percent] % of eligible [OPTION - Domestic] Accounts Receivable** ~~less than [~~  
~~90 is the default] days old,~~  
 - **OR -**

[Percent]% of eligible Inventory,

- OR -

the sum of [Percent]% of eligible [OPTION - Domestic] Accounts Receivable ~~less than [Default is 90] days old~~ plus [Percent]% of eligible Inventory],

with the exception that no disbursements can be made (without SBA prior approval) after the commencement of one cash cycle prior to maturity. If maturity coincides with the scheduled annual review of the Loan, including an annual review conducted by Lender coincidental with the maturity of the Loan, Lender may advance on the line up to maturity in conjunction with the Lender's annual review in accordance with Lender's policies and procedures on its similarly-sized non-SBA guaranteed commercial lines of credit. Any extension of the Loan or term out of the Loan must comply with SBA requirements.

**The following 3 paragraphs are used for all Working Capital CAPLines**

~~23-24.~~ Prior to initial disbursement, Lender must:

- a. Perfect all liens and verify that the required lien positions have been obtained.
- b. Obtain evidence that Borrower is current on all Federal and State taxes, including but not limited to income taxes, payroll taxes, and sales taxes.

**For SAB Only — Select 7.A or 7.B — Mandatory**

**Option 7.A — For Low Funds Control**

- ~~e.~~ Establish a cash collateral account under lender's control for borrower's use to deposit all proceeds, including but not limited to cash and checks, received from the sale of any of borrower's inventory or services including all collection of all receivables resulting from such sales.
- ~~d.~~ Obtain written certification from Borrower that all proceeds received from the sale of any of borrower's inventory or services including collection of all receivables resulting from such sales cash sales and receivable collections will be promptly deposited into the above-referenced cash collateral account.

**Option 7.B — For High Funds Control**

- ~~e.c.~~ Establish a postal/lock box under either lender's control or under the control of an independent third party chosen by Lender where the customers of the borrower will deposit all credit remitted to Lender consistent with the Borrower's operating cash cycle. Lender must monitor payments received consistent with its policies and the borrower will place all cash and checks received from the sale of any of borrower's inventory procedures on similarly-sized, non-SBA guaranteed commercial lines of credit.

**Option 4.3 — Mandatory if Borrowing Base Certificate Not Required**

- ~~d.~~ Secure the line with sufficient collateral to ensure there is a 1:1 collateral ratio in accordance with SOP 50 10.

**Option 4.4 — Mandatory if Lender responsible has Borrower's Deposit Accounts**

- ~~e.~~ Follow its established procedures for ~~making sure all~~ its similarly-sized, non-SBA guaranteed commercial lines of credit to monitor payments received.

**Option 4.5 — Mandatory if Lender Does Not Have Borrowers Deposit Accounts**

- ~~f.~~ Utilize some form of controlled account ~~debtors~~ as follows:

- (1) ~~The customers of borrower are the Borrower can be instructed to remit all payments owed the Borrower into either the lender's own postal/lock send their remittances via joint payee checks payable to Lender and Borrower to the Lender; or~~
- ~~f.~~(2) ~~Lock box OR a postal/lock box (bank account under the Lender control of an independent third party chosen by Lender, where Borrower's customers remit payments for accounts receivable).~~
- ~~g.~~ Obtain written certification from Borrower that all proceeds received from the sale of any of borrower's inventory or services will be promptly deposited into the above referenced cash collateral account.

~~24.~~25. Prior to any disbursement, Lender must:

- ~~a.~~ ~~[STANDARD ASSET BASED ONLY]~~ Comply with the disbursement requirements in SOP 50-10(4), Subpart C, Chapter 1, Paragraph 19 and Appendix 9.
- ~~a.~~ ~~[SMALL ASSET BASED ONLY]~~ Comply with the disbursement requirements in SOP 50-10(4), Subpart C, Chapter 1, Paragraph.
- ~~b.~~ Ensure no disbursement is made (without SBA prior approval) after the commencement of one cash cycle prior to maturity. For purposes of this Loan, the Borrower's cash cycle is [Insert#] days. If maturity coincides with the scheduled annual review of the Loan, including an annual review conducted by Lender coincidental with the maturity of the Loan, Lender may advance on the line up to maturity in conjunction with the Lender's annual review in accordance with Lender's policies and procedures on its similarly-sized non-SBA guaranteed commercial lines of credit. Any extension of the Loan or term out of the Loan must comply with SBA requirements.

26. In the event that Lender learns that proceeds are used to acquire fixed assets, Lender must refinance the portion of the Loan used to acquire the fixed assets into an appropriate term facility no later than 90 days after the Lender discovered that the Loan was used to finance a fixed asset.

**Option 4.6 — Borrowing Base Certificate  
(Mandatory when Option 4.2 is selected)**

27. Lender must comply with the monitoring requirements in accordance with SOP 50 10. The minimum monitoring requirements are as follows:

- a. Monthly – Borrowing base certificate; aging of accounts receivable/payable; and inventory listing (if advanced against). Lender may require a borrowing base certificate more frequently consistent with its policy and procedures on similarly-sized non-SBA guaranteed commercial lines of credit;
- b. Quarterly – Borrower prepared financial statements; and
- c. Annually – If the Working Capital CAPLines is \$1,000,000 or less, credit review including cash flow analysis, concentration analysis, collateral analysis, owner/guarantor credit review and annual site visit. If the Working Capital CAPLine is over \$1,000,000, credit review including cash flow analysis, concentration analysis, collateral analysis, owner/guarantor credit review and annual field examination. Accounts from any one customer that constitute more than 20% of the total outstanding receivables should not be included in the eligible borrowing base unless the account is a high rated public company.

a Federal government account, the customer has a long-standing positive credit history with the Borrower or the customer is a prime contractor performing on a Federal government contract. If the account meets one of those four conditions, the Lender does not need to obtain SBA's prior written concurrence to include the account above the 20% in the eligible borrowing base, but must include a written justification in the loan file. If, however, the account does not meet one of the four conditions, then the Lender must obtain SBA's prior written consent in order to include the account in the eligible borrowing base. Such requests must be sent to the LGPC.

**Option 4.7 — Borrowing Base Certificate Not Required  
(Mandatory When Option 4.3 is Selected)**

~~b-28.~~Lender must monitor the lines consistent with the Lender's policies and procedures for its similarly sized, non-SBA guaranteed commercial lines of credit and, at a minimum, conduct a credit review including cash flow analysis, collateral analysis to ensure there is a 1:1 collateral ratio, owner/guarantor credit review and site visit on an annual basis.

***The following paragraphs must appear in all CAPLines***

~~25.~~Lender must submit a completed SBA Form CAP 1050 semi-annually. This form is to be submitted on April 30th and October 31st during the term of the loan to the SBA office servicing the loan.

~~29.~~Lender and Borrower must complete and sign SBA Form 1050 at the time of first disbursement, and Lender must attach documentation of subsequent disbursements to the original SBA Form 1050 in accordance with SOP 50 10. As stated in SOP 50 10, if the Authorization identifies working capital as a use of proceeds and if those proceeds will be used to pay normal operating expenses (e.g., payroll, utilities, etc.), then the working capital disbursement does not need supporting documentation.

~~26-30.~~The outstanding principal balance of this loan must never exceed \$ [Loan Amount] [linked to first instance].

~~27-31.~~Lender must document that Borrower used the loan proceeds only for the specific purposes as stated in this Authorization, and retain the documentation within its file.

~~28-32.~~Lender may not split one loan into two loans if the use of proceeds is the same for both loans.

~~29.~~Lender must verify that Borrower has made appropriate withholding tax deposits on advances for payroll.

~~33.~~If Lender is notified by the Internal Revenue Service (IRS) that Borrower is not current on its withholding taxes, Lender must stop advancing on the line and comply with any instructions from the IRS until such time as the IRS notifies the Lender the Borrower is current on its withholding taxes.

~~30-34.~~No loan proceeds can be used to pay delinquent withholding taxes or other similar trust funds (state sales tax, etc.), to acquire fixed assets, or for floor planning.

~~31-35.~~Providing Lender and Borrower remain in compliance with the ~~terms and conditions of this Authorization~~ SBA Loan Program Requirements, as defined in 13 CFR 120.10, Lender is authorized to make advances without additional SBA approval.

~~32.36.~~ Loan proceeds may be used to reimburse Lender for payment of the guarantee fee only in the Seasonal, ~~Small Asset Based (SMAB)~~, and ~~Standard Asset Based (SAB)~~ Working Capital subprograms. Lender may not disburse loan proceeds solely for this purpose.

**Mandatory for Seasonal, Builder's and Contract Only**

~~33.37.~~ Lender must conduct an annual review of the Borrower's financial condition and credit status, on either the anniversary date of initial disbursement or upon receipt of annual financial statements.

For CAPLines Wizard users:

Project Collateral section starts here...

## H. COLLATERAL CONDITIONS

Lender must obtain a lien on 100% of the interests in the following collateral and properly perfect all lien positions:

**Option 1 – CONTRACT CAPLines**

**SELECT one of the following 56 Options for Project Collateral When Assignment of Contract/Purchase Order Required**

Contract specified below in Options 1 or 2 must be identical to contract described in G.1 of the authorization above.

**Option 1— for CONTRACT CAPLines with a.1 – SINGLE U.S.US Government Contract**

1. U.S. Government Contract Assignment and Notice of Assignment: Assignment of monies due or to become due under ~~federal contract number~~ Federal Contract Number [**Contract number**] with the [**Name of other party to contract** Party Authorizing Payment] in the approximate amount of \$ [**Contract amount**] and any subsequent modifications or additions. Lender must perfect the assignment pursuant to Federal Acquisition Regulations (FAR).

**Option 1.2 – for all other CONTRACT CAPLines with a. SINGLE non-US Government Contract or Purchase Order**

2. **Contract Assignment:** A valid assignment and first security interest covering all proceeds under ~~contract~~ Contract or Purchase Order dated [**date of contract** Contract or Purchase Order] between Borrower ~~{name and~~ [**Name of other party to contract** Party Authorizing Payment] in the approximate amount of \$ [**Contract or Purchase Order amount**], ~~{SELECT –~~ described as [**Description of contract** – AND/OR – dated [Date of Contract] – or Purchase Order].

**Option 1.3 – for CONTRACT CAPLines  
with MULTIPLE US Government Contracts**

If the first contract is specific and identifiable, select Paragraph 3 below. The contract description in Paragraph 3 below should match the description in Section G, Paragraph 5. If the first contract is not specific and identifiable, select Paragraph 4 below.

3. **Contract Assignment:** A valid assignment and first security interest covering all proceeds from all of Borrower's Federal Government contracts financed with the proceeds of ~~the~~this Loan ~~including the contract between Borrower and [name of other party to contract] in the approximate amount of \$ [Contract amount], [SELECT – federal contract number [contract number] – OR – [SELECT – described as [Description of contract] – AND/OR – dated [Date of Contract] ]~~. Lender must perfect the assignment of federal government contracts each Federal Government contract as required by the Federal Acquisition Regulations (FAR) ~~and must maintain identifying contract information in their files.~~

**Option 1.4 – MULTIPLE Non-US Government Contracts  
or Purchase Orders**

4. **Contract Assignment:** A valid assignment and first security interest covering all proceeds from all of Borrower's ~~contracts~~Contracts or Purchase Orders financed with the proceeds of this Loan. Lender must perfect the assignment of ~~federal government contracts~~each Contract or Purchase Order as required by ~~the Federal Acquisition Regulations (FAR)~~State Law and must maintain identifying Contract or Purchase Order information in their files.

**Option 1.5 - SINGLE Subcontract**

5. **Subcontract Assignment:** A valid assignment and first security interest covering all proceeds under Subcontract between Borrower and [name of Prime Contractor] in the approximate amount of \$ [Subcontract amount], for work described as [Description of Subcontract] and dated [Date of Subcontract].

**Option 1.6 – MULTIPLE Subcontracts**

6. **Subcontract Assignments:** A valid assignment and first security interest covering all proceeds from all of Borrower's Subcontracts financed with the proceeds of this Loan. Lender must perfect the assignment of each Subcontract between Borrower and Prime Contractor as required by applicable State Law and must maintain identifying Subcontract information in their files.

**Use the Following Two CONTRACT Options as Applicable**

**Option 1.7 – Additional Worthwhile Collateral**

**Use the following CONTRACT Option ONLY when Assignment  
is NOT Required and Additional Worthwhile Collateral Will Be Taken**

7. **Additional Collateral Required:** In accordance with SOP 50 10, Assignment of Proceeds is not required and Additional Worthwhile Collateral, listed below, will secure this Loan.

[list items]

a. [Item]

NOTE: The requirements for securing and perfecting the listed collateral must be included in the Collateral Section below.

**Option 1.8 – Single or Multiple Contracts or Subcontracts**  
**Use the Following CONTRACT Option for any Contract(s) or Subcontract(s) Using a Performance Bond**

5-8. **Performance Bond Required:** If any contract(s) or subcontract(s) assigned to Lender are also covered by a payment or performance bond, then the surety issuing the bond will have the right to receive all proceeds due under the contract, up to the amount of their costs, if the surety has stepped in to complete the contract by performance or payment. Lender's perfected security interest will be subordinate to the cost reimbursement claim of the surety. Lender will have the right to receive all proceeds or payments which are not due to the surety company.

**Option 4-2 – For ALL BUILDER'S CAPLines**

Property specified below must be identical to property specified in G.13 (for single building) or G.17 (for multiple buildings).

6-9. [SELECT - First - OR - Second] [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].

**The following must appear if first lien position.**

a. subjectSubject to no other liens.

**The following must appear if second lien position.**

- b. subjectSubject only to a prior lien by [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] ].
- c. Any prior lienholder must provide a "release clause" for transfer of clear title to the purchaser of this property upon payment of a predetermined fixed amount which, together with the amount advanced under this loan, does not exceed 80% of the anticipated selling price.

**Selections from the following list always appear for BUILDER'S CAPLines Loans.**

These paragraphs must appear only for all Builder's CAPLines. They are not required for the other programs. Note: The wizard will automatically select from options d.-m. depending on the state where project collateral is located. – Refer to Appendices A and B for a list of required options per state.

- d. Any prior lien that is open ended as to future advances must be closed, in writing, according to applicable state law. The revolving line of credit set out above, if any, must be limited in writing to the amount stated.
- e. Lender must obtain a written agreement from prior lienholderlienholders to provide Lender with reasonable [number of days] days' written notice before commencing foreclosure of prior lien.
- f. Lender to file a Request for Notice pursuant to state law.
- g. Written waiver of homestead required. (Residential property only.)

- h. Statement of non-homestead required. (Residential property only.)
- i. Written Designation waiver of Business Homestead required if real property collateral is owned by an individual or an individual and spouse.
- j. Lender must obtain from prior ~~lienholder~~lienholders written verification (1) of amount owing on prior obligation, (2) that Borrower is current on payments, and (3) that Borrower prior obligation is not otherwise in default.
- k. Written waiver of redemption rights is required ~~on non.~~ (Non-residential property- only.)
- l. Survey, certified to lender Lender, is required, or prior survey and affidavit of no change acceptable to lender Lender.
- ~~l.m.~~ Statutory Condition and the Statutory Power of Sale language required.

**The following Evidence of Title section  
must always  
appear for BUILDER'S CAPLines**

~~m.n.~~ Evidence of title and priority of lien must be based upon:

**Insert only 1 of the 3 following 3 options**

**Use option (1) in all states except (3) in Iowa, (1) or (2) in North Dakota, and (2) in Texas**

(1) ALTA Loan Policy for the maximum insurable value, insuring lender and assigns, policy to be 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.]

(2) Mortgagee's Title Policy for the maximum insurable value, insuring lender and assigns. 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 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 - 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.]

(2) Mortgagee's Title [MUST APPEAR if R/E located in VT - Policy for the maximum insurable value, insuring lender and assigns. Such policy must contain no exceptions for parties in possession, mechanic's provide affirmative coverage over any environmental contamination on property when publicly issued, filed, or materialman's liens, or matters which would be disclosed by an accurate survey.

~~[OPTION - Policy to be without standard survey exception,]~~

~~[OPTION - Policy to be without exception to Homestead, Survey or Taxes,]~~

~~[OPTION -- Policy must reflect recorded government documents indicate that all taxes and municipal liens have been brought current or paid 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.

(3) ~~[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.]~~

***The following must appear in all  
BUILDER'S CAPLines with MULTIPLE Buildings***

[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.]

***Option 2.1 – Mandatory for MULTIPLE Buildings***

Building specified below must be identical to building specified in G.17

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

7.10. For each subsequent piece of real property to be purchased or improved with the proceeds of this loan, Lender must obtain a Deed of Trust, Mortgage, or other state-specific instrument, as appropriate under state law (including due on sale clause and assignment of rents, and, if appropriate, water rights) on land and improvements.

- a. Lien must be a first lien or second lien subject only to Deed of Trust, Mortgage, or other state-specific instrument, as appropriate under state law, for financing the purchase of the property.
- b. Any prior lienholder must provide a "release clause" for transfer of clear title to the purchaser of this property upon payment of a predetermined fixed amount which, together with the amount advanced under this loan, does not exceed 80% of the anticipated selling price.
- c. Evidence of title and priority of lien must be based upon the first of the following items available in the state in which the real property is located:
  - (1) ALTA Loan Policy for the maximum insurable value, insuring lender and assigns, policy to be extended ALTA.
  - (2) Mortgagee's Title Policy for the maximum insurable value, insuring lender and assigns. 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.
  - (3) Attorney's certificate of title or title opinion in favor of lender and assigns certifying that lender has obtained the required lien position. Certificate or opinion will not contain a survey exception.
- d. Lender is responsible for applying the collateral requirements that are appropriate to the state in which the property is located. The requirements listed below are contained in

Appendix B of the Authorization Boilerplate as "Boilerplate Options." Appendix B of the Authorization Boilerplate lists which of the above options are required in each state. Possible Boilerplate Options are (Note: there is no Option 1):

Option 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 of credit set out above, if any, must be limited in writing to the amount stated.

Option 3: Lender must obtain a written agreement from prior lienholder to provide Lender with reasonable [number of days] days' written notice before commencing foreclosure of prior lien.

Option 4: Lender to file a Request for Notice pursuant to state law.

Option 5: Written waiver of homestead required ~~on residential.~~ (Residential property only.)

Option 6: Statement of non-homestead required. (Residential property only.)

Option 7: Written waiver of Business Homestead required if real property collateral is owned by an individual or an individual and spouse.

Option 8: Lender must obtain from prior ~~lienholder~~ lienholders written verification (a1) of amount owing on prior obligation, (b2) that Borrower is current on payments, and (c3) that ~~Borrower~~ prior obligation is not otherwise in default.

Option ~~7~~ 9: Written waiver of redemption rights is required ~~on non.~~ (Non-residential property only.)

Option ~~8~~ 10: Survey, certified to ~~lender~~ Lender, is required, or prior survey and affidavit of no change acceptable to ~~lender~~ Lender.

~~Option 9: Written Designation of Business Homestead required.~~

~~Option 10: Statement of non homestead required.~~

~~Option 5-11: Statutory Condition and the Statutory Power of Sale language required.~~

SOP 50 10 5(E), pp. 246-253, Subpart "B", Chapter 7, Paragraph IV.H.4. For all Working Capital CAPLines, Lender must obtain a first lien position on the working/trading assets (accounts receivable and inventory) regardless of whether Lender will use a Borrowing Base Certificate.

If Lender will not use a Borrowing Base Certificate to disburse the line, Lender must secure the line with sufficient collateral to ensure there is a 1:1 collateral ratio. If the working/trading assets are insufficient to provide a 1:1 collateral ratio, the Lender must take additional collateral to ensure there is a 1:1 ratio.

**Option 3 – Mandatory for ~~a/All~~ SEASONAL, ~~SMAB~~ and ~~SABWORKING CAPITAL~~ CAPLines**

~~8-11~~ First perfected security interest in accounts ~~{SELECT — and inventory —}~~.

**The following a. and b. must always appear**

- a. 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.
- b. If any collateral is located on leased premises, Lender ~~must~~ should 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 with written notice of default and a reasonable opportunity to cure the default; and (3) allow the Lender the right to take possession and dispose of, or remove, the collateral.

For CAPLines Wizard users: [Additional](#) Collateral Conditions section starts here...

**Create as many additional collateral conditions as needed.**

**IMPORTANT - READ THIS FIRST!**

This document offers an extensive choice of standard additional 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.

The following language must appear in Lender's Guarantee when Lender uses its own Guarantee.

"When SBA is the holder, the Note and this Guarantee will be construed and enforced under federal law, including SBA regulations. Lender or SBA may use state or local procedures for filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using such procedures, SBA does not waive any federal immunity from state or local control, penalty, tax or liability. As to this Guarantee, Guarantor may not claim or assert any local or state law against SBA to deny any obligation, defeat any claims of SBA, or preempt federal law."

Lender must obtain a lien on 100% of the interests in the following collateral and properly perfect all lien positions:

~~9.~~12. [Insert first additional Collateral Condition here]

~~10.~~13. [Insert second additional Collateral Condition here]

~~11.~~14. [Etc. - Insert as many additional Collateral Conditions as needed]

**The following paragraphs must always appear**

13 CFR 101.106, Federal Law application to SBA programs and 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) *Lender 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 CAPLines Wizard users:** the following paragraphs are automatically inserted by the CAPLines 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 a guarantee if the guarantor, 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, Lender must also include in the guarantee the following language:

*"Guarantor acknowledges that this Guarantee is secured by a Deed of Trust in favor of Lender on real property located in \_\_\_\_\_ County, California. That Deed of Trust contains the following due-on-sale provision: ..." (Lender 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](#) including limited guarantees) 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](#) including limited guarantees) 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** - Lender must include valid confession of judgment clauses in guarantees signed by Maryland residents.

**The following paragraph must appear if a guarantee is to be signed by a resident of Pennsylvania**

**Pennsylvania Mandatory Provision**—Lender must include valid confession of judgment clauses in guarantees signed by Pennsylvania residents.

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

**Virginia Mandatory Provision** - Lender must include valid confession of judgment clauses in guarantees signed by Virginia residents.

**The following paragraph will appear if ~~a guarantee any borrower or guarantor is to be signed by a resident of Missouri~~ or if any guarantor guarantees a loan to a borrower that is a resident of the State of Missouri**

**Missouri Mandatory Provision**—Lender 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."*

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

**Georgia Mandatory Provision**—The following language must appear in all guarantees (~~SBA Form 148 or 148L~~including limited guarantees) signed by Georgia residents:

*"The undersigned Guarantor hereby waives the right to require the Holder of the obligations hereby guaranteed to take action against the debtor as provided for in O.C.G.A. 10-7-24."*

***The following paragraph must appear if a guarantee is to be signed by a resident of Kentucky***

**Kentucky Mandatory Provision**—The following language must appear in all guarantees (including limited guarantees) signed by Kentucky residents:

*"These provisions are for the purpose of KRS 371.065 only and do not waive or avoid guarantor's obligations on this guarantee in part or in whole. The amount of the maximum principal aggregate liability of guarantor is the loan amount plus interest at the note rate, unless the maximum liability box is checked on SBA Form 148L, which would limit liability to the stated maximum liability plus interest at the note rate. The date on which this guarantee terminates is the maturity date of the note plus 6 years, provided such termination shall not affect extensions or renewals of interest accruing on, or fees, costs or expenses incurred with respect to, such obligations on or after such date. The above termination date is extended by any event that delays or avoids the statutes of limitations."*

***The following paragraph must appear if a guarantee is to be signed by a resident of Delaware***

**Delaware Mandatory Provision**—Lender, at its option, may include confession of judgment clauses in guarantees signed by Delaware residents.

For CAPLines Wizard users:

Additional Conditions (Part I) starts here...

**I. ADDITIONAL CONDITIONS**

***INSURANCE REQUIREMENTS (MANDATORY)***

**1. Insurance Requirements**

***If Insurance Required (OPTIONAL)***

Prior to disbursement, Lender must require Borrower to obtain the following insurance coverage and maintain this coverage for the life of Loan:

**If No Insurance Required (OPTIONAL)**

No insurance is required.

**Flood Insurance (MANDATORY for collateral)**

[CFR 120.170/SOP50-10\(4\), pg.106-109 5\(E\), p. 209](#), Subpart "AB", Chapter 5, Paragraph [6b1.C](#) - SBA Flood Insurance Requirements. Note: SBA will require flood insurance on personal property collateral even when real estate where the personal property is located is not collateral for the loan but is in a flood ~~zone~~[area](#).

- a. **Flood Insurance.** Based on the Standard Flood Hazard Determination (FEMA Form 81-93):
- (1) ~~If any portion of a building that is collateral for the Loan is located in a special flood hazard area, Lender must require Borrower to obtain flood insurance for the building under the NFIP.~~
  - ~~(1) If any portion of a building that is collateral for the Loan is located in a special flood hazard area, Lender must require Borrower to obtain flood insurance for the building under the NFIP.~~
  - (2) If any equipment, fixtures, or inventory that is collateral for the loan ("Personal Property Collateral") is in a building ~~that~~[any portion of which](#) is located in a special flood hazard area and that building is collateral for the Loan, Lender must require Borrower to also obtain flood insurance for the Personal Property Collateral under the NFIP.
  - (3) If any ~~equipment, fixtures, or inventory that is collateral for the loan~~ ("Personal Property Collateral<sup>2</sup>) is in a building ~~that~~[any portion of which](#) is located in a special flood hazard area and that building is not collateral for the Loan, Lender must require Borrower to obtain available flood insurance for the Personal Property Collateral. Lender may waive ~~the~~[this](#) requirement ~~for flood insurance for the Personal Property Collateral~~ when the building is not collateral for the Loan, ~~provided that lender if it~~ uses prudent lending standards. ~~The waiver must include and includes in the Loan file~~ a written justification that ~~must be kept in the loan file. The justification must~~ fully ~~explain~~[explains](#) why flood insurance is not economically feasible or, if flood insurance is not available, the steps taken to determine that it is not available.

Insurance coverage must be 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 Lender. This clause must provide that any ~~action or failure to act or neglect of~~[by](#) the debtor or owner of the insured property will not invalidate the interest of Lender 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 for  
real estate collateral)**

~~13~~ CFR 120.160(c)/SOP 50-10(4), ~~pg. 105~~ 5(E), p. 208, Subpart "AB", Chapter 5, Paragraph 4  
~~-SBA Policy on Hazard Insurance~~II.A.

- 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 Lender. This clause must provide that any action or failure to act ~~or neglect of~~ by the mortgagor or owner of the insured property will not invalidate the interest of Lender. The policy or endorsements must provide for at least 10 ~~days~~days' prior written notice to Lender of policy cancellation.

**Personal Property Hazard Insurance (MANDATORY for  
personal property collateral)**

~~13~~ CFR 120.160(c)/SOP 50-10(4), ~~pg. 105~~ 5(E), p. 208, Subpart "AB", Chapter 5, Paragraph 4  
~~-SBA Policy on Hazard Insurance~~II.A.

- 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 Lender. This clause must provide that any action or failure to act ~~or neglect of~~ by the debtor or owner of the insured property will not invalidate the interest of Lender. The policy or endorsements must provide for at least 10 ~~days~~days' prior written notice to Lender of policy cancellation.

**Full Marine Insurance (OPTIONAL)**

- d. **Full Marine Insurance** coverage in the amount of the full insurable value on the following vessel(s)~~);~~: [List of insured vessels]; with Lender designated as "Mortgagee". The policy must contain a Mortgagee clause providing that the interest of Lender 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~~days' prior written notice to Lender of policy cancellation.

**Life Insurance (OPTIONAL)**

SOP 50-10(4), ~~pg. 94~~ 5(E), pp. 209-210, Subpart "AB", Chapter 45, Paragraph 4~~h.(8)~~  
~~-SBA Life and Disability Insurance Requirements. See also pg.113-114, Subpart "A", Chapter 5,~~  
~~Paragraph 6.gII.D.~~

- e. **Life Insurance**, satisfactory to Lender:
- (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]

Lender must obtain a collateral assignment of each policy with Lender as assignee-, and Lender must also obtain acknowledgment of the assignment by the Home Office of the Insurer. Lender must assure that Borrower pays the premium on the policy.

***Liability Insurance (OPTIONAL)***

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

***Product Liability Insurance (OPTIONAL)***

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

***Dram Shop/Host Liquor Liability Insurance (OPTIONAL)***

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

***Malpractice Insurance (OPTIONAL)***

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

***Disability Insurance (OPTIONAL)***

SOP 50-10(4), pg. 94 5(E), p. 210, Subpart "AB", Chapter 45, Paragraph 4h.(8) - SBA Life and Disability Insurance Requirements See also pg. 113-114, Subpart "A", Chapter 5, Paragraph 6.g||.E.

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

***Workers' Compensation Insurance (OPTIONAL)***

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

***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 primary collateral)**

SOP 50-10(4), pg. 118-5(E), pp. 196-206, Subpart "AB", 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.

Phase I Site Assessments must meet SBA requirements as to All Appropriate Inquiry compliance described in SBA Procedural Notice 5000-1002 (November 9, 2006), III and any subsequent SBA notices and SOP updates on this issue applicable appendices.

## 2. Environmental Requirements

**Select one and only one of the 2 following options**

**Option 1 – Select if Loan is over \$25,000**

- a. Lender may not disburse the Loan until it has:
- (1) Completed the review for potential environmental contamination required in SOP 50 10(4) (“Environmental Investigation”) on each businesscommercial real property site that is taken as collateral, and:
    - (a) ~~acquired or improved with proceeds from 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), and applicable appendices.

**Option 1a – Select if Insert the following paragraph (b) for regular non-PLP loans when Lender did not submit the results of the Environmental Investigation results were not submitted with application.**

- b. Lender must submit the results of the Environmental Investigation to the SBA office listed above for SBA approval prior to disbursement. If Lender or SBA determines from the Environmental Investigation that there is potential environmental contamination, Lender may not disburse the Loan until SBA is satisfied that the risk has been sufficiently minimized. Adverse environmental findings may lead to cancellation of the SBA guarantee.
- c. Lender should consult with the local SBA office where the real property is located to ascertain any state or local environmental requirements.

**Option 2 – Select if Loan is \$25,000 or less**

- d. ~~Lender may disburse the Loan without an Environmental Investigation under SOP 50-10(4) if:~~
- (1) ~~Borrower certifies in writing that Borrower has no knowledge of any past or present contamination at the site; and,~~
  - (2) ~~Lender has no information to the contrary.~~

~~e. Lender 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 AND GUARANTOR DOCUMENTS (MANDATORY)***

**3. Borrower and Guarantor Documents**

***The following paragraphs must always appear***

- a. Prior to closing, Lender must obtain from Borrower and Guarantor 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) There is nothing in the trust agreement that would prevent Lender from realizing on any security interest in trust assets;
    - (e) The trust agreement has specific language confirming the above; and
    - (f) 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 closing, Lender must obtain from Borrower:
- (1) **Ownership** — Evidence that ownership and management have not changed without Lender's approval since the application was submitted.

***The following paragraphs (2) to (7) are optional***

Note: Paragraph (3), (4), (5), (6) and (7) may be repeated if necessary

- (2) **Purchase-Sale Agreement** — Executed Purchase-Sale Agreement [**OPTION** - (to include satisfactory non-compete agreement)].
- (3) **Non-Compete** — Evidence that [**Principal's Name**] does not have a Non-Compete Contract with [**Competitor's Name**].
- (4) **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.
- (5) **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.
- (6) **Other Funding (grant or gift)** — Evidence that Borrower has received the proceeds of a grant from [**Name**] in the amount of \$ [**Amount**].
- (7) **Other Funding (line of credit)** — Evidence that Borrower has received access to a line of credit from [**Name**] in the amount of \$ [**Amount**].

**Borrower -documents - Open Options  
(Can be used to add other Borrower -documents as needed)**

***OPERATING INFORMATION (MANDATORY)***

**4. Operating Information**

Prior to any disbursement of Loan proceeds, Lender must obtain:

**Verification of Financial Information (MANDATORY)**

~~SOP 50-10(4), pg. 153-156-2 5(E), pp. 210-212, Subpart "AB", Chapter 65, Paragraph 4.f. Procedural Notice 5000-753. Information Notice 5000-908 Form 4506-T with SBA Logo required. SBA periodically updates IRS contact information.~~

~~SOP 50-10(4), pg. 153-156-2, Subpart "A", Chapter 6, Paragraph 4.f.iii.~~

- a. **Verification of Financial Information** – Lender must submit IRS Form 4506-T (SBA version) to the Internal Revenue Service to obtain federal income tax information on Borrower, for the last 3 years (unless Borrower is a start-up business). If the business has been operating for less than 3 years, Lender 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. If the applicant has filed an extension for the most recent fiscal year, Lender must obtain a copy of the extension along with evidence of payment of estimated taxes. Lender 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 Lender and SBA. Failure to resolve differences may result in cancellation of the Loan.

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

If the IRS responds and the transcript reflects "Record not Found" for any tax year, Lender must follow the procedures detailed in SOP 50 10 to determine what steps must be taken to satisfy the SBA tax verification requirement.

If Lender does not receive a response from the IRS or copy of the tax transcript within 10 business days of submitting the ~~SBA version of~~ IRS Form 4506-T, then Lender may close and disburse prior to completing this verification provided that Lender ~~has submitted IRS Form 4506-T to~~ sends a second request following precisely the ~~IRS no later than~~ procedures detailed in SOP 50 10 business days from the date of this Authorization. ~~and~~ Lender ~~must still perform~~ performs the verification and ~~resolves~~ resolves any significant differences discovered, even if the Loan is fully disbursed.

**Authority to Conduct Business (MANDATORY)**

- b. **Authority to Conduct Business** - Evidence that Borrower has an Employer Identification Number and all insurance, licenses, permits and other approvals necessary to lawfully operate the business.

**Flood Hazard Determination (MANDATORY)**

~~SOP 50-10(4), pg. 106-109 5(E), p. 209, Subpart "AB", Chapter 5, Paragraph 6.b. SBA Flood Insurance Requirements II.C.~~

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

**Lease (OPTIONAL)**

Use this provision if any collateral is on leased premises.

**Paragraph d.** is the general rule; use **paragraph e.** only if Lender 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 5\(E\), p. 213](#), Subpart "AB", Chapter 4, Paragraph ~~1.h.(5)~~ [Collateral on Leased PropertyV., Assignment of Lease and Landlord's Waiver.](#)

- 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. 112-113 5\(E\), p. 215](#), Subpart "AB", Chapter 5, Paragraph ~~6~~[VII, Special Provisions for Franchises.](#)

Note: Each option within the Agreement of Franchisor (options (1) to (4)) is optional.– The Agreement of Franchisor is NOT mandatory for all franchises, nor is any of the 4 individual conditions. Each should be included only as the circumstances of a particular franchise loan approval may require.

- h. **Agreement of Franchisor:**
  - (1) That Lender 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 Lender 30 ~~days~~[days](#)' notice of intent to terminate the Franchise Agreement.
  - (4) To give Lender an opportunity to cure any defaults. ~~Deferment of fees will not be cause for franchise termination under the franchise or lease agreement that is given to Franchisee under the same agreements.~~

For CAPLines Wizard users:

Additional Conditions (Part II) starts here...

**INJECTION (OPTIONAL)**

[CFR 120.150\(f\)/SOP 50-10\(4\), pg. 86-88 5\(E\), pp. 187-188](#), Subpart "AB", Chapter 4, Paragraph ~~4f.~~ [SBA Injection PolicyI.B, Equity Requirements.](#)

## 5. Injection

Lender must obtain evidence that prior to disbursement:

**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 Lender in full. [Any such debt must be covered by a standby agreement substantially equivalent to SBA Form 155, with no payment permitted.](#)
- 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 Lender 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 described as **[Description]** 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)**

[SOP 50-10\(4\), pg. 86-88 5\(E\), pp. 187-188, Subpart "AB", Chapter 4, -Paragraph 4.f.\(5\)-\(I.B.2.a\)\(4\) and pp. 212-213, Subpart B, Chapter 7\)—SBA, Paragraph IV, Standby Injection Policy Agreements.](#)

6. Standby Agreement

**The following section must be repeated for each standby creditor**

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

**APPRAISAL (OPTIONAL)**

Sec. 7(a)(29) of the Small Business Act, ~~SBA Procedural Notice 5000-703~~ ~~SBA Appraisal Requirements~~, CFR 120.160(b)/SOP 50 10 5(E), pp. 191-195, Subpart B, Chapter 4, Paragraph II.C.

## 7. Appraisal

Prior to disbursement, and in accordance with SOP 50-10, Lender must obtain:

***The 4 following options can be used several times if necessary***

- a. **Real Estate Appraisal** on the real property located at **[Address]**, showing a fair market value of at least \$ **[Amount]**.
- b. **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]**.
- c. **Marine Survey and Appraisal** on the vessel named **[Name]**, showing a fair market value of at least \$ **[Amount]**.
- d. **Aircraft Appraisal** on the following aircraft - Make: **[Make]**, Model: **[Model]**, Year: **[Year]** - showing a fair market value of at least \$ **[Amount]**.

**CONSTRUCTION PROVISIONS (MANDATORY - BUILDER'S CAPLines ONLY)**

This section should appear in all Builder's CAPLines authorizations.

~~CFR 120.174~~, CFR 120.221(b)/SOP 50-10(4), ~~pg. 283-285~~ 5(E), pp. 213-215, Subpart "CB", Chapter 5, Paragraph ~~48j(6)~~ ~~VI.~~, Construction ~~Requirements for Builder's CAPLines Loans~~ ~~Loan Provisions.~~

## 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. Lender must obtain from Borrower evidence of compliance with these requirements. Examples of evidence include 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.
  - (1) Lender may charge Borrower a one-time fee not to exceed 2% of the portion of the Loan designated for construction. The actual fee must not exceed the cost of the extra service.

***Construction Financing has SBA Guarantee; more than \$~~425~~350,000***

- b. Prior to the commencement of any construction, Lender must obtain from Borrower:
  - (1) **Insurance** - Evidence that contractor carries appropriate Builder's Risk and Worker's Compensation Insurance.
  - (2) **Injection** - Evidence that Borrower has injected the required funds into the project prior to disbursement of the Loan, if Borrower is injecting funds into the construction project.

- (3) **Plans and Specifications** - Final plans and specifications for Lender review.
  - (4) **Firm Proposal** - Firm proposal for construction costs of each individual project, based upon approved plans and specifications.
  - (5) **Codes and Permits** - Evidence that the building, when completed, will comply with all state and local building and zoning codes, and applicable licensing and permit requirements.
  - (6) **Compliance Form** – Completed SBA Form 601, Applicant's Agreement of Compliance.
  - (7) **Construction Safeguards** – Certification that Borrower will take all normal other construction loan safeguards appropriate for the Loan.
  - (8) **Management Information** – Certification that at least one supervisory employee will be on the job site during the entire construction phase.
- c. After Construction is completed, Lender must have Borrower certify that:
- (1) **Property Rental** - Borrower will not rent the finished project pending sale without the express written consent of Lender.
  - (2) **Sale of Final Project** - Sale of the final project will be to an unaffiliated third party. Transfer must include both legal and beneficial title.

**Construction Financing has SBA Guarantee; \$125350,000 or less**

- d. **Compliance Form** — Lender must obtain SBA Form 601, Applicant's Agreement of Compliance, for projects where the construction costs exceed \$10,000.
- e. **Construction Safeguards** —Lender must take all normal construction Loan safeguards appropriate for the Loan. These safeguards may include reviewing plans and specifications, cost breakdowns, bonds, contracts, and builder's controls, and imposing necessary changes or requirements.

**NON-CITIZENS (MANDATORY IF APPLICABLE)**

[Lender must verify the status of all aliens who are required to complete SBA Form 912. See SOP 50 10 5\(E\), pp. 120-124, Subpart B, Chapter 2, Paragraph III.E.](#)

[Note: Paragraph 9 may be repeated if necessary](#)

9. [Prior to first disbursement, Lender must verify with US Citizenship and Immigration Services, using Form G-845, that \[Name\] has Lawful Permanent Resident status or legal alien status.](#)

**CERTIFICATIONS AND AGREEMENTS (MANDATORY)**

**9.10.Certifications and Agreements**

[SOP 50 10 5\(E\), pp. 235-236, Subpart "B", Chapter 7, Paragraph IV.D., Borrower's Certifications](#)

**The following paragraph always appears**

- a. [Prior to disbursement,](#) Lender must require Borrower to certify that:

**Receipt of Authorization (MANDATORY)**

- (1) **Receipt of Authorization** — Borrower has received a copy of this Authorization from Lender and acknowledges that:

- (a) The Authorization is not a commitment by Lender to make a loan to Borrower;
- (b) The Authorization is between Lender and SBA and creates no third party rights or benefits to Borrower;
- (c) The Note will require Borrower to give Lender prior notice of intent to prepay.
- (d) If Borrower defaults on Loan, SBA may be required to pay Lender under the SBA guarantee. SBA may then seek recovery of these funds from Borrower. Under SBA regulations, 13 CFR Part 101, Borrower may not claim or assert against SBA any immunities or defenses available under local law to defeat, modify or otherwise limit Borrower's obligation to repay to SBA any funds advanced by Lender to Borrower.
- (e) Payments by SBA to Lender under SBA's guarantee will not apply to the Loan account of Borrower, or diminish the indebtedness of Borrower under the Note or the obligations of any personal guarantor of the Note.

#### ***Adverse Change (MANDATORY)***

- (2) **Adverse Change** — That there has been no adverse change in the financial condition, organization, management, operation, or assets of Borrower since the date the Loan application was signed.

#### ***Child Support (MANDATORY)***

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

- (3) **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. 106, Subpart "A", Chapter 5, Paragraph 5 – SBA Tax Policy](#)

- (4) **Current Taxes** — Borrower is current ([or will be current with any loan proceeds specified for eligible tax payments](#)) 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](#)

- (5) **Environmental** — For any real estate pledged as collateral for the Loan or where the Borrower is conducting business operations (collectively "the Property"):
- (a) At the time Borrower 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 will continue to comply with these laws and regulations;
  - (c) Borrower 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 will promptly notify Lender 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 such property are 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, Borrower indemnifies, and agrees to defend and hold harmless, Lender 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 operations. (Lender or SBA may require Borrower to execute a separate indemnification agreement).

***The following paragraph always appears***

- b. [Prior to disbursement](#), Lender must require Borrower to certify that it will:

***Reimbursable Expenses (MANDATORY)***

CFR 120.221-222/SOP 50-10(4), ~~pg. 222~~ 5(E), pp. 167-173, Subpart "B", Chapter 43, Paragraph 46 – SBA policy on VI., Other Fees Lenders may charge; Paragraph 17 – and VII., Prohibited Fees Not Allowed by SBA.

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

***Books, Records and Reports (MANDATORY)***

SOP 50-10(4), ~~pg. 106~~ 5(E), p. 236, Subpart "AB", Chapter 57, Paragraph 6 – SBA Financial statement Requirements; SOP 50-10(4) Appendix 9[V.D.1.g].

- (2) **Books, Records, and Reports** —
  - (a) Keep proper books of account in a manner satisfactory to Lender;
  - (b) Furnish [**OPTION** - compiled - **OR** - reviewed - **OR** - audited] year-end statements to Lender within [**number of days, default is 120**] days of fiscal year end;
  - (c) Furnish additional financial statements or reports whenever Lender requests them;
  - (d) Allow Lender or SBA, at Borrower's expense, to:
    - [1] Inspect and audit books, records and papers relating to Borrower's financial or business condition; and
    - [2] Inspect and appraise any of Borrower's assets; and
    - [3] Allow all government authorities to furnish reports of examinations, or any records pertaining to Borrower, upon request by Lender or SBA.
  - (e) Provide Lender with a month-to-month cash-flow projection of all known operational activity on at least an annual basis for the term of the Loan.

***Insert the following for SEASONAL, SMAB, and SAB CAPLines***

- ~~(f) Provide Lender with a monthly borrowing base certificate, in a form satisfactory to Lender, so that Lender may reconcile the borrowing base certificates at least monthly.~~

***Insert the following for SMAB, and SAB CAPLines***

- ~~(g)~~ Provide Lender with a monthly ~~[OPTIONS-aging report of accounts receivable] [inventory schedule] [aging report of accounts receivable and inventory schedule]~~, in a form satisfactory to Lender, so that Lender may determine the appropriate amount to advance.

***Insert the following for CONTRACT CAPLines only***

- ~~(h)~~(f) Provide Lender with a cash flow projection for each specific contract.

- (3) **Contract Performance Notices** — Notify Lender of any of the following:
- (a) Modification of any contract provision that affects the amount due under the contract(s) or otherwise substantially affects the contract(s);
  - (b) Termination of all or part of any contract(s);
  - (c) Failure of either party to perform its contract obligations;
  - (d) Contracting Entity:
    - (i) ~~provides~~Provides Borrower notice of default;
    - (ii) Rejects any contract deliverable; or
    - (iii) Provides Borrower notice of non-performance.

***Equal Opportunity (MANDATORY)***

CFR 120.176/SOP 50-10(4), pg. 135 5(E), p. 230, Subpart "AB", Chapter 67, Paragraph 1g. ~~Compliance with Anti-Discrimination Laws~~IV.D.1.h).

- (4) **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)***

SOP 50 10 5(E), p. 236, Subpart "B", Chapter 7, Paragraph IV.D.q.i).

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

- (5) **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 5(E), p. 236, Subpart "AB", Chapter 57, Paragraph 5 ~~SBA Tax Policy~~IV.D.1.i).

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

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

**The following paragraph always appears**

- c. Lender must require Borrower to certify that it will not, without Lender's prior written consent:

**Distribution (MANDATORY)**

- (1) **Distributions** — Make any distribution of company assets that will adversely affect the financial condition of Borrower.

**Ownership Changes (MANDATORY)**

- (2) **Ownership Changes** — Change the ownership structure or interests in the business during the term of the Loan.

**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.

**Fixed Asset Limitation (OPTIONAL)**

[SOP 50-10\(4\), pg.110 5\(E\), p. 236, Subpart "AB", Chapter 57, Paragraph 6e-IV.D.3.a\).](#)

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

**Location Limitation (OPTIONAL)**

[SOP 50 10 5\(E\), p. 236, Subpart "B", Chapter 7, Paragraph IV.D.3.b\).](#)

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

**Limitation on Compensation (OPTIONAL)**

[SOP 50-10\(4\), pg.110 5\(E\), p. 236, Subpart "AB", Chapter 57, Paragraph 6e-IV.C.3.c\).](#)

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

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

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

ADMINISTRATOR  
SMALL BUSINESS ADMINISTRATION

[Approval Date]

By: [Name, Title] Date

[MUST APPEAR if PLP loan—a Preferred Lender, as Lender and as an agent of and on behalf of the SBA for the purpose of executing this Authorization.]

***The following appears for all CAPLinesnon-PLP loans only***

In consideration of SBA’s guarantee of the Loan to be made by Lender to Borrower, Lender accepts the above conditions.

[Lender’s Name]

By: (Name, Title) Date