



**CAPITAL CERTIFIED DEVELOPMENT CORPORATION
DISCLOSURE STATEMENT REGARDING
SBA 504 LOAN CHARGES & REQUIREMENTS**

**IN ACCORDANCE WITH AMERICAN RECOVERY
AND REINVESTMENT ACT OF 2009**

SBA SECTION 504 ASSISTANCE AGREEMENT

The following disclosures apply to the United States Small Business Administration's (SBA) portion of the permanent "take-out" financing provided under the SBA 504 Loan Program. This statement is not intended to be all-inclusive. Please read this Disclosure Statement carefully and request additional information if there is anything you do not understand. In signing this Disclosure Statement, you acknowledge that you have read, understood and agree to be bound by each and every provision set forth.

1. **NO REPRESENTATIONS:** Capital Certified Development Corporation (CCDC) may not and cannot ensure the success of your 504 loan application. The actual funding of the 504 debenture and disbursement of the proceeds to you is subject to SBA's approval of your application and is also subject to your satisfactory compliance with the terms and conditions set forth in SBA's Authorization and Debenture Guaranty (SBA Form 1248). By signing this Disclosure Statement, you acknowledge that CCDC has made no representations to you, and that you have not relied upon any representations made by CCDC, regarding the likelihood of SBA's approval of your loan or the sufficiency of your qualifications to receive a loan through the 504 program.
2. **CREDIT CRITERIA:** Although the 504 loan program is a lending program for healthy and expanding small businesses, start-up businesses may be funded provided they meet SBA's credit criteria. The credit criteria require the small business to be able to demonstrate adequate cash flows from operations to repay debt, possess adequate working capital, and provide sufficient collateral. Additionally, by signing this Disclosure Statement you hereby authorize Capital Certified Development Corporation, or any of its affiliates, to make all inquiries it deems necessary to verify information to determine credit-worthiness. Further, by signing this Disclosure Statement, you agree that Capital Certified Development Corporation, or any of its subsidiaries, at any time and in its sole discretion, may disclose the status of the proposed transaction and credit data and other information concerning or relating to the undersigned or the proposed transaction to the SBA, referral sources, franchisers, vendors, loan participants, and agents of both the undersigned and Capital Certified Development Corporation.
3. **LOAN FEES:** The "Net Debenture Proceeds" is CCDC's percentage of the eligible total project costs (maximum of 40%) financed by SBA/CCDC. The following loan fees will be paid by the Borrower for the SBA portion of the 504 loan, all of which are financed in the 504 loan or, "Gross Debenture":
 - a. CCDC Processing Fee: 1.5% of the net debenture proceeds. Effective February 17, 2009 this fee will be paid by SBA with available funds from the American Recovery and Reinvestment Act of 2009.
 - b. SBA Funding Fee: 0.25% of the net debenture proceeds.
 - c. Closing Costs (CDC Attorney)-\$3,500.

- d. Underwriting Fee:
- 1) For 20-year debentures, the sum of the net debenture amount and a. through c. divided by 0.99600; round this number up to the next highest thousand; multiply this number by 0.00400.
 - 2) For 10-year debentures, the sum of the net debenture amount and a. through c. divided by 0.99625; round this number up to the next highest thousand; multiply this number by 0.00375.

Note: Closing Costs and expenses associated with the closing of the SBA 504 loan including, but not limited to, CCDC's attorney fees, your attorney's fees, recording and express mail fees, title work (i.e. abstracting, updating of titles, copies, etc.), the title insurance policy premium, lien search fees and survey fees **will be paid by the borrower at closing** and are in addition to and not financed with the above stated fees. These fees must be paid for work performed whether or not the applicant accepts the loan or the loan closes. The CCDC's attorney's fees, not to exceed \$3,500 plus associated travel expenses, are payable at closing and will be reimbursed to the borrower when the 504 loan is funded.

4. **SERVICING AND THIRD-PARTY PARTICIPATION FEES:** The following servicing fees will be paid by the Borrower on the unpaid balance of the CDC loan. Such unpaid balance will be determined at 5-year intervals at the beginning of such interval. The monthly CDC/SBA note payment amount reported to the Borrower will include these fees as part of the monthly payment.

Servicing Fees:

- CDC Servicing Fee- 1% per annum
- CSA Servicing Fee-0.1% per annum

Participation Fee:

The senior collateral lender (Third-Party Lender) is charged a one-time Participation Fee of 0.5% of 1% of the senior loan amount. As of February 17, 2009 this fee is temporarily eliminated in accordance with the American Recovery and Reinvestment Act of 2009.

5. **INTEREST RATES:** The interest rate on ten (10) and twenty (20) year 504 loans are based on a "spread" over the five (5) and ten (10) year US Treasury rates, respectively. Any interest rate quoted to you is for illustration purposes only and will actually be set by SBA on the date of the debenture sale, which is usually thirty to forty-five days after the execution of the documents for the permanent "take-out" loan. The permanent "take-out" loan will not be funded until the debenture sale. The participating lender may establish its own interest rate, provided that the rate is legal, reasonable and reflects the prevailing level of interest rates in the market area at the time for loans of similar risk, maturity, location, fixed or variable rate or other relevant factors.
6. **LATE CHARGE:** A charge of \$100, or 5% of the late amount, whichever is greater, will be charged to the Borrower in the event funds are insufficient on the debit date.
7. **AUTOMATIC DEBIT:** The SBA requires a payment program whereby the Borrower's 504 loan payments are automatically debited each month from the Borrower's bank account.
8. **CCDC AUTHORITY:** While CCDC is responsible for the preparation of the loan application sent to the SBA, the SBA sets all loan conditions and any changes to the loan conditions require SBA approval submitted through the CDC.
9. **IDENTITY VERIFICATION:** CCDC is required by SBA Policy Notice 5000-901 to request certain documentation of borrowers in order to perform a verification of their identity. Any portion of the information gathered during the loan process may be used in the verification process.
10. **BORROWER'S INJECTION:** The borrower's equity contribution to the project must be a minimum of 10% of the total eligible project costs (minimum of 15% for companies with less than 2 full years of operation) and must be in the form of cash (first to be spent) or project-related real estate. Should the project being financed involve a limited or single-purpose building or structure, a minimum 15% equity contribution will be required. Additionally, should the project involve a business with less than 2 full years

of operations AND a limited or single-purpose building or structure, a minimum 20% equity contribution will be required. Borrower must provide documentation of the equity injection with copies of cancelled checks, paid invoices or other information acceptable to CCDC and SBA. If any of the contribution is borrowed and secured with any of the 504 project assets, such loan must be subordinated to the liens securing the 504 loan and may not be repaid at a faster rate than the 504 loan unless prior written approval is obtained from CCDC/SBA. A copy of any debt instrument of such loan must be supplied to CCDC in the application.

11. **MISCELLANEOUS LOAN TERMS:** The closing documents for the 504 loan are likely to contain the following provisions:
 - Prior CCDC/SBA approval required for:
 - The reorganization, merger, consolidation or change of ownership of the business of the Borrower;
 - The sale or further encumbrance of the collateral;
 - The payment of bonuses and/or distributions upon capital stock, including but not limited to the payment of dividends;
 - Hazard insurance, from a carrier with a Best rating of A or better, covering fire, lightning, extended coverage, vandalism, and malicious mischief for the maximum insurable value(s) on all property on which liens are taken, liability insurance, workers' compensation, and (if needed) flood insurance;
 - The requirement for annual financial statements to be submitted by the borrower;
 - Total annual compensation of officers, owner and/or principals of the small business may be subject to limitation under adverse financial conditions as determined by CCDC/SBA. It may also be required that all inter-company debt with affiliates and/or officers, directors or shareholders be subordinated to the debt incurred through CCDC/SBA.

12. **LEASING AND SQUARE FOOTAGE OCCUPANCY REQUIREMENTS:**
 - Existing Buildings – 504 funds can be used for the purchase and/or renovation of an existing building so long as the small business occupies 51% or more of the building space and no 504 loan funds are used to renovate any part of the building not used by the small business.
 - New Construction – 504 funds can be used for the construction of industrial and commercial space as long as the small business occupies at least 60% of the building space upon closing of the 504 portion of the loan, and 80% within ten years. The remaining 20% can be permanently leased.

13. **JOB REQUIREMENTS:** The small business must preserve or create, within two years after the loan is funded, one job opportunity per \$50,000 of 504 financing. Effective February 17, 2009 under the American Recovery and Reinvestment Act of 2009 the jobs requirement is reduced to one job opportunity per \$65,000 of 504 financing. .Manufacturers must preserve or create one job opportunity per \$100,000 of 504 financing. National objectives may be used in lieu of this requirement.

14. **COLLATERAL ASSIGNMENT OF LIFE AND/OR DISABILITY INSURANCE:** Life and/or disability insurance may be required to insure against the risk of death or disability of a person critical to the success of the small business or one whose continued earning power is being relied upon in making the loan. If it is necessary to require one or more principals of the small business to obtain life and/or disability insurance, the coverage required shall be only in such minimum amounts necessary to protect the loan.

15. **PREPAYMENT:** Payment of the entire outstanding balance may be made prior to the maturity date, but no partial prepayments may be made. Any prepayment during the first half of the stated term must be accompanied by a prepayment premium, which will be a declining percentage of the debenture interest rate applied to the outstanding principal balance of the Note. A schedule of the dollar amount of the premium and the semi-annual payment dates will be provided to you after the funding of the 504 loan. In order to process a request for prepayment, CCDC requires written notification at least 60 days prior to the semi-annual prepayment date.

16. **ASSUMPTION FEE:** A fee of 1% of the outstanding principal balance of the loan will be charged by the CDC if the loan is assumed by another borrowing entity. In addition, the borrower must pay all cost and expenses incurred by CCDC and/or the SBA in connection with the assumption.
17. **ADDITIONAL COLLATERAL:** Additional collateral may be required. Generally, the value of the assets acquired with the 504 loan proceeds should constitute adequate collateral, however, all 504 loan are to be so secured as to reasonably assure repayment. Should there be a shortfall in the appraised value of the assets being acquired, additional collateral may be required in the form of personal and/or business assets owned by the Borrower and/or small business.
18. **GUARANTEES:** SBA requires the full guaranty of any person/corporation owning 20% or more of the small business, irrespective of the form of ownership or entity involved. Additional Guarantees may be required, if circumstances warrant.
19. **PERSONAL HISTORY STATEMENT:** Personal History Statement (SBA form 912) is required for each officer, director (regardless of ownership), and each proprietor, partner and stockholder with 20% or more ownership of the SBC and, if different, each owner with 20% or more ownership of the EPC. A Personal History Statement is also required for key management personal regardless of ownership.
20. **FINANCING OF MACHINERY AND EQUIPMENT:** The Borrower, prior to the 504 loan closing, must provide CCDC with a list of the machinery and equipment purchased satisfactory to CCDC/SBA describing the collateral by number and type or item, including brand name and serial number, if applicable, sufficient for identification.
21. **DO-IT-YOURSELF CONSTRUCTION PROJECTS:** Situations where the borrower or small business has acted as their own contractor have proven to be generally unsatisfactory and cause considerable problems in the closing process. Such an approach generally shall not be permitted unless the applicant is qualified as a building contractor.
22. **PROJECT COST OVERRUNS:** The Borrower must pay for any additional project costs incurred as a result of overruns or unanticipated expenses in constructing/financing the project. Cost overruns to be funded by any source other than additional equity provided by Borrower must be approved by CCDC/SBA prior to the 504 loan closing.
23. **SURVEY:** An “as built” survey sufficient to remove title policy exceptions must be provided by a certified surveyor prior to the 504 loan closing. The survey must include a flood hazard designation along with the physical address of the property. The survey must be certified to CCDC, SBA and the Title Company.
24. **CHILD SUPPORT:** Borrower certifies that no principal of the small business who owns at least 50% of the 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 that requires payment of child support.
25. **LOAN FUNDING:** The funding of a 504 loan does not occur at closing. It does, however, occur approximately 30 to 45 days after the closing of the loan provided all requirements set-forth in SBA’s Authorization have been satisfied. It is CCDC’s desire to fund the 504 loan in a timely matter. To do so, we encourage the Borrower to stay in touch with their CCDC representative during the construction and/or interim funding period.
26. **CCDC SCHEDULE OF FEES:**
One-percent (1%) of the net debenture will be considered earned when the debenture Authorization is issued by SBA. In accordance with the American Recovery and Reinvestment Act of 2009, effective February 17, 2009, until such time as funds are exhausted, SBA will make payment of the one-percent of net debenture upon issuance of the debenture guaranty, thereby relieving the small business applicant of this fee.

