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U.S. Small Business Administration

National 7(a) Authorization Boilerplate

Version 2009.4

July 8, 2009

Read this first!

About this document

This document contains version 2009.4 of the National 7(a) Authorization Boilerplate ("Boilerplate"). The Boilerplate contains the mandatory national standard language for all SBA authorizations except the national Export Working Capital Program (EWCP), CAPLines, 504 Loans, and ARC Loans (which have separate boilerplates) and SBA *Express*.

About the "7a Wizard"

The 7a Wizard, sometimes referred to as "Wizard," was automated using Microsoft Word and has been designed to run in Word 2003 (11), or W3. The W3 Wizard is compatible to a limited degree with Word 2000 (9) and Word 2002 (10).).

SBA upgraded to Word 2007 (12) in late 2009. As a result SBA can support Word 2007, or W7. SBA has issued two editions of the current Wizard and placed each version on SBA's website. The W3 version of the Wizard for Word 2003 and before is not compatible with the W7 version and the W7 version of the Wizard for Word 2007 is not compatible with the W3 version.

Version "2009.4" of the 7a 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. The National 7(a) Authorization is an appendix to SOP 50-10(5).

Below is the list of 7a Wizard sections with their location in the Boilerplate:

1.	For 7a Wizard users:	Loan Information section starts here...	1
2.	For 7a Wizard users:	Repayment Terms section starts here...	6
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Getting the latest version of the Authorization

The latest version of the Authorization can be obtained from the SBA web site at www.sba.gov/aboutsba/sbaprograms/elending/authorizations 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 7a Wizard website and located in your templates directory after installation, for recommended optimal Word settings.

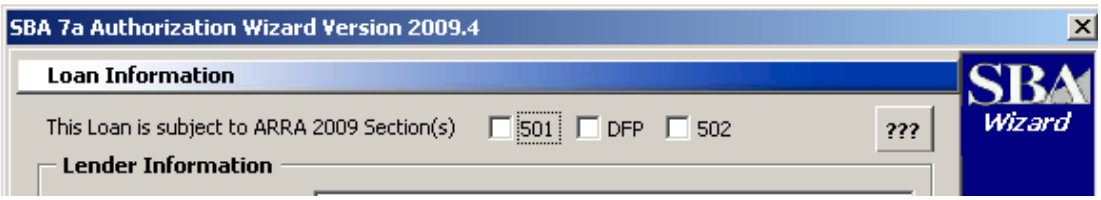
What's new in this version?

Version 2009.4, released July 8, 2009
This section highlights the major differences between version 2009.3 and version 2009.4 of the Boilerplate and Wizard. This listing can also be found during operation of the Wizard in the “What’s New” section of the 7a Wizard Help topics, which is available from the 7a Wizard menu.

Version 2009.4 changes reflect the new authorization provisions applicable to the Dealer Floor Plan Pilot Initiative (DFP).

Loan Information Section

The SBA 7a Authorization Wizard Loan Information panel has been modified as follows:



The Wizard panel options above will permit the user to select 1) only the 501 Recovery Act option, 2) only the 502 Recovery Act option, 3) the 501 Recovery Act option and the DFP option, 4) the 501 and 502 Recovery Act options, or 5) only the DFP option. Paragraphs which are not relevant to the selected options are automatically hidden, and paragraphs relevant to the selected options are automatically added. **Caution:** Once DFP is selected and the Loan Information section, or other sections, is(are) completed, unchecking the DFP option will not remove all DFP options and can corrupt your document. If DFP must be removed, abandon the current authorization and begin a new authorization.

General Loan Information Section

The first sentence of this section has been modified to reflect the selection made by the user on the above Wizard panel.

The sentence containing the new options reads:

> "SBA approves, under Section 7(a) of the Small Business Act as amended **[OPTION–,** as well as Section(s) **[SELECT–**501, 502, **or** 501 and 502**]** of the American Recovery and Reinvestment Act of 2009,**] [or DFP, or 501 and DFP only–** and the Dealer Floor Plan Pilot Initiative as published in the Federal Register on July 6, 2009 (74 FR 32006),] Lender's application, received **[Date Accepted]**, for SBA to guarantee **[Percent Guaranteed]**% of a loan ("Loan") in the amount of $**[Loan Amount]** to assist:"

E. Contingencies, E.2. and E.6
Two additional options, both Option B, have been added for Dealer Floor Plan Pilot Initiative Loans as follows:

2. Having and complying with a valid SBA Loan Guarantee Agreement (SBA Form 750), any required supplemental guarantee agreements between Lender and SBA, and any Notices published in the Federal Register or issued directly by SBA which provide guidance on the Dealer Floor Plan Pilot Initiative;

6. 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;

F. Note Terms, F.1., F.2 and F.3

Paragraph F.1. has been modified with the inclusion of "This is a revolving Loan." for DFP Loans. In addition, three additional paragraphs, F.2., F.3. and F.4., have been added specific to DFP Loans:

2. 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.
3. At no time may the outstanding balance exceed the amount of the Loan.

4. **Extraordinary Servicing Fee**:

Lender may charge additional extraordinary servicing fees provided that the fee charged is reasonable and prudent based on the level of extraordinary effort required to adequately service the floor plan line. In addition, if the Lender currently provides floor plan financing to its customers, the Lender may not charge higher fees for its SBA-guaranteed floor plan lines of credit than it charges for its similarly-sized, non-SBA guaranteed floor plan lines of credit. 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.

F.6, Repayment Terms

The information box relating to Interest Rates and Peg Rate Rules has been modified by removing the sentence referring to the Peg Rate Rules. The following sentence has been deleted in its entirety:

> 13 CFR 120.214(c), Peg Rate Rules. Loans using the SBA's Optional Peg Rate cannot be sold in the secondary market.

An additional Payment Term Option has been added in the F. Note Terms section specifically for DFP Loans, as follows:

> Borrower must pay interest on the disbursed principal balance every month beginning one month 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 month it is due.
>
> Borrower must make additional payments as follows:
>
> a. Principal payments of at least the percentage of the sale proceeds equal to the percentage of the cost financed under the line must be made upon receipt of proceeds from the sale of inventory.

Optional–Dealer Floor Plan Pilot Initiative Loans

> b. **Curtailment**: The principal advance on each asset financed by this line must be reduced by **[Percent]**% for each full **[Inventory Days SELECT 30, 60, 90, 120, 180, 365]**-day period it remains in inventory, as shown on inventory reports provided to the Lender before each disbursement, and at least monthly.

If the loan is a DFP Loan, the following paragraph is removed from the Authorization in its entirety:

> "Lender must adjust the payment amount at least annually as needed to amortize principal over the remaining terms of the note."

In addition, the Loan Prepayment paragraphs and the Subsidy Recoupment Fee paragraphs will be removed in their entirety if the loan is a DFP Loan.

G. Use of Proceeds

If the Loan is a DFP Loan, Use of Proceeds options 1-19 and 21 will not be available for selection. Two new options have been added to the Use of Proceeds list, Options 22 and 23. Option 20 is unchanged and may be used when the Loan is a DFP Loan. Use of Proceeds options 22 and 23 (new) will only be selectable on DFP Loans.

Option 22 reads as follows: (for no refinancing of any previous floor plan line)

22. Loan proceeds may only be used for the acquisition of titleable inventory for retail sales. Repayment of this line will occur as the acquired inventory is sold.

Option 23 reads as follows: (for refinancing previous floor plan line)

23. $**[Amount]** to be used to refinance a floor plan line of credit with **[Lender's name]**.

When Option 23 is used (once or more than once), the following paragraphs will appear:

Prior to initial disbursement, Lender must ensure that:

a. Collateral for any Loan that is being refinanced is transferred to secure this Loan.
b. Any outstanding receivable that would have been applied to pay down any refinanced loan will be applied to pay down this Loan in the same percentage.

Subsequent disbursements must be used for the acquisition of titleable inventory for retail sales. Repayment of this line will occur as the inventory acquired as a result of the act of refinancing or inventory acquired directly with the Loan proceeds is sold.

The existing paragraph for non-DFP Loans has been modified for DFP Loans by deleting the last two sentences, as follows:

From (for non-DFP Loans):

"All amounts listed above are approximate. Lender may not disburse Loan proceeds solely to pay the guarantee fee. Lender may disburse to Borrower, as working capital only, funds not spent for the listed purposes as long as those funds do not exceed 10% of the specific purpose authorized or $10,000.00, whichever is less. An Eligible Passive Company may not receive working capital funds."

To (for DFP Loans only):

"All amounts listed above are approximate. Lender may not disburse Loan proceeds solely to pay the guarantee fee."

H. Collateral Conditions (H.4, H.5, H.6, H.7)

All existing Collateral Conditions are available for non-DFP Loans and DFP Loans. However, four new mandatory paragraphs for DFP Loans have been added as follows:

4. Collateral must include a first perfected security interest in all titleable inventory acquired with any portion of the proceeds from the SBA-guaranteed floor plan line of credit.
5. If the Borrower has more than one floor plan line then the inventory supported by each line is to be separately accounted for and the sale proceeds (or at least the percentage of the sale proceeds equal to the percentage of the cost financed under the line) of any inventory acquired with any portion of the floor plan line guaranteed by SBA must be used to reduce the balance on that line. In addition, if there are multiple floor plan lines with multiple floor plan creditors the borrower must have appropriate delineated inter-creditor agreements to enable proper security interest perfection. Lender must obtain and retain copies of the inter-creditor agreements in its loan file.
6. Title must be assigned to Lender for each vehicle for which a title is previously recorded.
7. A complete inventory of all vehicles, including the VIN, securing the line must be obtained prior to any disbursement, and at least monthly.

I. Additional Conditions, Books, Records and Reports (I.11 (Certifications and Agreements).

I.11.c.(2)(b) Books, Records, and Reports

A new option for DFP Loans only (monthly financial statements for dealerships) has been added to the above section. The paragraph now reads:

"(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 **[Option–DFP only–**and monthly manufacturer's dealership financial statement (for dealers of new inventory) or monthly financial statements (for dealers of used inventory) no later than 7 days after the end of the previous month**]**;"

All other aspects of the Authorization remain the same.

More Information

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

Boilerplate

For 7a Wizard users: Loan Information section starts here...

U.S. Small Business Administration

AUTHORIZATION
(SBA GUARANTEED LOAN)

SBA Loan Information

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

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

For 7a Wizard users: The 7a Wizard automatically selects the SBA Loan Name based on the Borrower and Operating Company Information provided.

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

Lender / SBA Information

13 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:

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

U. S. Small Business Administration (SBA):

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

General Loan information

13 CFR 120.214—Date application is received by SBA is necessary to calculate interest rate on variable rate loans. 13 CFR 120.210- explains SBA guarantee percentage.

SOP 50-10(5), pg. 140-142, Subpart "B", Chapter 3, Paragraph2—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. SOP 50-10(5), pg. 140-142, Subpart "B", Chapter 3, Paragraph 2.

Ninety percent (90%) guarantee is authorized until February 17, 2010 or such date as funds made available for this purpose are exhausted, whichever is sooner.

SBA approves, under Section 7(a) of the Small Business Act as amended **[OPTION–,** as well as Section(s) **[SELECT–**501, 502, **or** 501 and 502**]** of the American Recovery and Reinvestment Act of 2009**]**, **[or DFP, or 501 and DFP only**— and the Dealer Floor Plan Pilot Initiative as published in the Federal Register on July 6, 2009 (74 FR 32006), **]** Lender's application, received **[Date Accepted]**, for SBA to guarantee **[Percent Guaranteed]**% of a loan ("Loan") in the amount of $**[Loan Amount]** to assist:

Borrower and Operating Company information

13 CFR 120.111 / SOP 50-10(5), pg. 119-122, Subpart "B", Chapter 2, Paragraph 3.f.—Operating company must be a Co-Borrower if loan proceeds are used for working capital or to purchase assets to be owned directly by the Operating Company. If not a Co-Borrower, Operating Company must be a Guarantor. If the Loan is made to an Eligible Passive Company (EPC), there can only be one EPC Borrower, but there can be multiple Operating Companies (OC) as Co-Borrowers or Guarantors. If several individuals hold the property leased to the OC as joint tenants or tenants in common, then each individual must be listed separately, but they are considered together to be one EPC.

Borrower: **[OPTION–**(EPC)**]**

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

[OPTION–Operating Company

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

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

GUARANTEE FEE

13 CFR Reference: 120.220/SOP Reference: SOP 50-10(5), pg. 151-157, Subpart "B", Chapter 3, Paragraph 5.

For 7a Wizard users: The 7a 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.

A. THE GUARANTEE FEE IS $[Amount].

Insert the following 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. Lenders are required to make their payments electronically. Payment can be made at 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. 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.

Recovery Act Approval (MANDATORY for Section 501)
Insert the following paragraph if maturity is more than 12 months

Guarantee Fee payment by SBA per Section 501 of the American Recovery and Reinvestment Act of 2009. SBA Payment of Guaranty Fee is authorized through September 30, 2010, or until appropriated funds authorized for that purpose are exhausted, whichever is sooner.

Payment of the guarantee fee will be made by SBA subject to Section 501 of the American Recovery and Reinvestment Act of 2009. Lender must not charge or collect this fee from the borrower. Borrower has no obligation to pay this fee when the fee has been paid by SBA.

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.

Ongoing Servicing Fee

13 CFR Reference 120.220/SOP Reference: SOP 50-10(5), pg. 158, Subpart "B", Chapter 3, Paragraph 6(a).

B. **ONGOING SERVICING FEE:**

1. Lender agrees to pay SBA an ongoing servicing 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

13 CFR 120.400 et seq./SOP 50-10(5), pg. 211-216, Subpart "B", Chapter 7, Paragraphs 1-3.

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**

SOP 50-10(5): Subpart "B", Chapter 7, Paragraph 3(c-f), pg. 213-218.

For 7a Wizard users: The 7a 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:

   SBA Form 147, Note
   SBA Form 1050, Settlement Sheet
   SBA Form 159 (7(a)), Compensation Agreement, for each required agent
   SBA Form 722, Equal Opportunity Poster
   [MUST APPEAR when applicable—SBA Form 148, Guarantee**]**
   [MUST APPEAR when applicable—SBA Form 148L, Limited Guarantee**]**
   [MUST APPEAR when applicable—SBA Form 601, Agreement of Compliance**]**

13 CFR 120.194/SOP 50-10(5) pg. 213, Subpart “B”, Chapter 7, Paragraph 3.c.1.

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

Contingencies

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

Select Option A or Option B

Option A–non-Dealer Floor Plan Pilot Initiative Loans

1. Having and complying with a valid SBA Loan Guarantee Agreement (SBA Form 750 or SBA Form 750B for short-term loans) and any required supplemental guarantee agreements, between Lender and SBA;

Option B–Dealer Floor Plan Pilot Initiative Loans

2. Having and complying with a valid SBA Loan Guarantee Agreement (SBA Form 750), any required supplemental guarantee agreements between Lender and SBA, and any Notices published in the Federal Register or issued directly by SBA which provide guidance on the Dealer Floor Plan Pilot Initiative;
3. Having paid the full guarantee fee in the time and manner required by this Authorization and the SOP;
4. Complying with the current SBA Standard Operating Procedures (SOP);

SBA Policy Notice 5000-882; SOP 50-10(5), pg. 212, Subpart "B", Chapter 7, Paragraph 3.a.

Select Option A or Option B

Option A–non-Dealer Floor Plan Pilot Initiative Loans

5. Completing disbursement no later than **[number of months]** months from the approval date of this Authorization, unless the disbursement period is extended by proper SBA procedures. (The final disbursement period cannot exceed 48 months from the approval date of this Authorization. Any undisbursed balance remaining after 48 months will be automatically cancelled by SBA);

Option B–Dealer Floor Plan Pilot Initiative Loans

6. 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;
7. 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 or Operating Company which would warrant withholding or not making any further disbursement; and,
8. Satisfying all of the conditions in this Authorization.

Maturity

F. **NOTE TERMS**

13 CFR 120.212/SOP 50-10(5), pg. 212-213, Subpart "B", Chapter 7, Paragraph 3.b. – Note Terms.

1. Maturity: **[DFP only–**This is a 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**]**.

Mandatory–Dealer Floor Plan Pilot Initiative Loans

2. 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.
3. At no time may the outstanding balance exceed the amount of the Loan.

Mandatory–Dealer Floor Plan Pilot Initiative Loans

4. **Extraordinary Servicing Fee:**

   Lender may charge additional extraordinary servicing fees provided that the fee charged is reasonable and prudent based on the level of extraordinary effort required to adequately service the floor plan line. In addition, if the Lender currently provides floor plan financing to its customers, the Lender may not charge higher fees for its SBA-guaranteed floor plan lines of credit than it charges for its similarly-sized, non-SBA guaranteed floor plan lines of credit. 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.

For 7a Wizard users: Repayment Terms section starts here...

5. **Repayment Terms**:

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

INTEREST RATE OPTIONS–Non-Dealer Floor Plan Pilot Initiative Loans

13 CFR 120.213 through 215/SOP 50-10(5), pg. 145-149, Subpart "B", Chapter 3, Paragraph 4, Interest Rates.

Select one and only one of the 7 following options

Option 1—Fixed Rate

The interest rate is **[interest rate]**% per year.

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 Rate/LIBOR Base Rate]** in effect on the first business day of the month in which SBA received the loan application, plus **[% over [prime rate/SBA Optional Peg Rate/LIBOR Base Rate]]**%. The initial interest rate must remain in effect until the first change period begins.

Option 3—Fixed and Variable Rate

The initial interest rate is **[initial interest rate]**% per year for **[period]**. This initial rate is the **[prime rate/SBA Optional Peg Rate/LIBOR Base Rate]** in effect on the first business day of the month in which SBA received the loan application, plus **[% over [prime rate/SBA Optional Peg Rate/LIBOR Base Rate]]**%. The interest rate on this Note will then begin to fluctuate as described below. The initial interest rate must remain in effect until the first change period begins.

Option 4—SBA Rate Fixed / Lender Rate Variable

The interest rate is fixed at **[fixed interest rate]**% per year on the guaranteed portion of this Note. The interest rate on the non-guaranteed portion of this Note will fluctuate. The initial interest rate is **[initial interest rate]**% per year on this portion of the Note. This initial rate is the **[prime rate/SBA Optional Peg Rate/LIBOR Base Rate]** in effect on the first business day of the month in which SBA received the loan application, plus **[% over [prime rate/SBA Optional Peg Rate/LIBOR Base Rate]]**%. The initial interest rate must remain in effect until the first change period begins.

Option 5—SBA Rate Variable / Lender Rate Fixed

The interest rate on the guaranteed portion of this Note will fluctuate and the initial interest rate is **[initial interest rate]**% per year on this portion. This initial interest rate is the **[prime rate/SBA Optional Peg Rate/LIBOR Base Rate]** in effect on the first business day of the month in which SBA received the loan application, plus **[% over [prime rate/SBA Optional Peg Rate/LIBOR Base Rate]]**%. The initial interest rate must remain in effect until the first change period begins. The interest rate on the non-guaranteed portion of this Note is fixed at **[fixed interest rate]**% per year.

Option 6—Two Fixed Rates

The interest rate on **[first share of principal]**% of the outstanding principal balance is **[first interest rate]**% per year, and the interest rate on **[second share of principal]**% of the outstanding principal balance is**[second interest rate]**% per year.

Option 7—Split Variable And Fixed Rates

The interest rate on a percentage of the principal balance of this Note will fluctuate and the interest rate on the remaining percentage of the principal balance of this Note is fixed. The initial interest rate on **[first share of principal]**% of the outstanding principal balance is **[first interest rate]**% per year. This initial rate is the **[prime rate/SBA Optional Peg Rate/LIBOR Base Rate]** in effect on the first business day of the month in which SBA received the loan application, plus **[% over [prime rate/SBA Optional Peg Rate/LIBOR Base Rate]]**%. The initial interest rate

must remain in effect until the first change period begins. The interest rate on **[second share of principal]**% of the outstanding principal balance is fixed at **[second interest rate - fixed]**%.

PAYMENT TERM OPTIONS

Mandatory–Dealer Floor Plan Pilot Initiative Loans

Borrower must pay interest on the disbursed principal balance every month beginning one month 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 month it is due.

Borrower must make additional payments as follows:

a. Principal payments of at least the percentage of the sale proceeds equal to the percentage of the cost financed under the line must be made upon receipt of proceeds from the sale of inventory.

Optional–Dealer Floor Plan Pilot Initiative Loans

b. **Curtailment**: The principal advance on each asset financed by this line must be reduced by **[Percent]**% for each full **[Inventory Days SELECT 30, 60, 90, 120, 180, 365]**-day period it remains in inventory, as shown on inventory reports provided to the Lender before each disbursement, and at least monthly.

Interest Only Options–Non-Dealer Floor Plan Pilot Initiative Loans

Select one or none of the 2 following options

Note: if payment day is unknown, use '_____ calendar day'. The blank will then be filled-in in the Note at time of closing.

Option 1—One payment

Borrower must pay one payment of interest only on the disbursed principal balance **[Number] [SELECT–**month(s), quarter, calendar quarter, year**]** from the month **SELECT (same as in F.1.)–**this Note is dated**–OR–**of initial disbursement on this Note**]**; payment 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 month it is due.

Option 2—More than 1 payment

Borrower must pay a total of **[number of payments]** payments of interest only on the disbursed principal balance beginning **[Number] [SELECT–**month(s), quarter, calendar quarter, year**]** from the month **SELECT (same as in F.1.)–**this Note is dated**–OR–**of initial disbursement on this Note**]** and **[SELECT–**every **[Number]** month(s), every quarter, every calendar quarter, every year**]** thereafter; 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.

Other Payment Terms Options–Non-Dealer Floor Plan Pilot Initiative Loans

Select one and only one of the 6 following options:

Note: if payment day is unknown, use '_____ calendar day'. The blank will then be filled-in in the Note at time of closing.

Option 1- Principal And Interest

Borrower must pay principal and interest payments of $**[Amount]** every **[Number] [SELECT–**month(s), quarter, calendar quarter, year**]** beginning **[Number] [SELECT–**month(s), quarter, calendar quarter, year**]** from the month **[SELECT (same as in F.1.)–**this Note is dated**–OR–**of initial disbursement on this Note**]**; 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—Interest Plus Principal

Borrower must pay interest on the disbursed principal balance, plus principal of $**[Amount]** every **[Number] [SELECT–**month(s), quarter, calendar quarter, year**]** beginning **[Number] [SELECT–**month(s), quarter, calendar quarter, year**]** from the month **SELECT (same as in F.1.)–**this Note is dated**–OR–**of initial disbursement on this Note**]**; 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—Regular Interest Plus Seasonal Principal

Borrower must pay interest on the disbursed principal balance every **[Number] [SELECT–**month(s), quarter, calendar quarter, year**]**, plus principal payments of $**[Amount]** in the month(s) of **[list of months]** inclusive each year, beginning **[Number] [SELECT–**month(s), quarter, calendar quarter, year**]** 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; 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 4—Seasonal P And I, Payment Months Specified

Borrower must pay monthly principal and interest payments of $**[Amount]** in the months of **[list of months]** each year beginning **[Number] [SELECT–**month(s), quarter, calendar quarter, year**]** from the month **SELECT (same as in F.1.)–**this Note is dated**–OR–**of initial disbursement on this Note**]**; 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 5—Seasonal P And I, Nonpayment Periods Specified

Borrower must pay principal and interest payments of $**[Amount]** every **[Number] [SELECT–**month(s), quarter, calendar quarter, year**]**, except **[exception period]**, beginning **[Number] [SELECT–**month(s), quarter, calendar quarter, year**]** from the month **SELECT (same as in F.1.)–**this Note is dated**–OR–**of initial disbursement on this Note**]**; 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 6—Seasonal P And I, Two Different Payments Specified

Borrower must pay monthly principal and interest payments of $**[Amount]** in the months of **[list of months]** each year and $**[Amount]** in the months of **[list of months]** beginning **[Number] [SELECT –** month(s), quarter, calendar quarter, year**]** from the month **[SELECT (same as in F.1.)–**this Note is dated**–OR–**of initial disbursement on this Note**]**; 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**]** of the month.

Option 7—Mississippi Poultry

Note: Use only with “Two fixed Rates” or “Split variable and fixed rates” interest rate options.

Borrower must pay principal and interest payments of $**[Amount]** on **[Percent]**% of the disbursed principal balance on the first day of each quarter, beginning **[Number] [SELECT–** month(s), quarter, calendar quarter, year**]** from the month **SELECT (same as in F.1.)–** this Note is dated**–OR–**of initial disbursement on this Note**]**. Borrower will pay additional principal payments of $**[Amount]**, on the same day.

The following paragraph must always appear

Lender will apply each installment payment first to pay interest accrued to the day Lender receives the payment, then to bring principal current, then to pay any late fees, and will apply any remaining balance to reduce principal.

The following paragraph must appear if SBA loan proceeds are used to finance commercial real estate.

SBA Policy Notice 5000-857, "Escrow Policy for Commercial Real Estate Taxes and Insurance for 7(a) Loans."

Lender may require Borrower to pay an additional amount into an escrow account for payment of real estate taxes and required insurance related to commercial real estate securing the loan.

OPTIONS FOR VARIABLE OR SPLIT RATE LOANS ONLY

The following must always appear in variable or split rate loans

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 **or** semi-annually, every **[number of years]** years, every calendar quarter, every calendar year**]** (the "change period").

[Select--The "Prime Rate" is the prime rate in effect on the first business day of the month (as published in the Wall Street Journal) in which SBA received the application, or any interest rate change occurs. **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 the Wall Street Journal) in which SBA received the application, or 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/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.

Select one or none of the 2 following options:

Option 1—Ceiling and Floor Fixed

The amount that the interest rate on this Note may vary is limited by a floor and a ceiling:

(1) The maximum interest rate (ceiling) will not exceed **[ceiling]**% above the initial interest rate.

(2) The minimum interest rate (floor) will not be less than **[floor]**% below the initial interest rate.

Option 2—Ceiling and Floor Variable

The amount that the interest rate on this Note may vary is limited by a floor and a ceiling:

(1) The maximum interest rate (ceiling) will not exceed **[ceiling]**% above the initial interest rate, and the minimum interest rate (floor) will not be less than **[floor]**% below the initial interest rate unless there is a change in the **[prime rate/SBA Optional Peg Rate/LIBOR Base Rate]** between the first business day of the month in which SBA receives the Loan application and the first business day of the month in which final disbursement occurs.

(2) If the **[prime rate/SBA Optional Peg Rate/LIBOR Base Rate]** increases between the two dates referenced in (1) above, the difference between the **[prime rate/SBA Optional Peg Rate/LIBOR Base Rate]** on those two dates will be added to the ceiling rate and subtracted from the floor rate that was calculated in (1) above.

(3) If the **[prime rate/SBA Optional Peg Rate/LIBOR Base Rate]** decreases between the two dates referenced in (1) above, the difference between the **[prime rate/SBA Optional Peg Rate/LIBOR Base Rate]** on those two dates will be subtracted from the ceiling rate calculated in (1) above.

The following must always appear in variable or split rate loans

The following paragraph will not appear in Dealer Floor Plan Pilot Initiative Loans

Lender must adjust the payment amount at least annually as needed to amortize principal over the remaining term of the note.

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 following paragraph must appear in all loans.

The Loan Prepayment paragraphs will not appear in Dealer Floor Plan Pilot Initiative Loans

Loan Prepayment:

Notwithstanding any provision in this Note to the contrary:

Borrower may prepay this Note. Borrower may prepay 20 percent or less of the unpaid principal balance at any time without notice. If Borrower prepays more than 20 percent and the Loan has been sold on the secondary market, Borrower must:

a. Give Lender written notice;

b. Pay all accrued interest; and

c. If the prepayment is received less than 21 days from the date Lender receives the notice, pay an amount equal to 21 days' interest from the date lender receives the notice, less any interest accrued during the 21 days and paid under subparagraph b., above.

If Borrower does not prepay within 30 days from the date Lender receives the notice, Borrower must give Lender a new notice.

The following paragraph must always appear in loans with a maturity of 15 years or more.

The Subsidy Recoupment Fee paragraphs will not appear in Dealer Floor Plan Pilot Initiative Loans

Subsidy Recoupment Fee. When in any one of the first three years from the date of initial disbursement Borrower voluntarily prepays more than 25% of the outstanding principal balance of the loan, Borrower must pay to Lender on behalf of SBA a prepayment fee for that year as follows:

a. During the first year after the date of initial disbursement, 5% of the total prepayment amount;

b. During the second year after the date of initial disbursement, 3% of the total prepayment amount; and

c. During the third year after the date of initial disbursement, 1% of the total prepayment amount.

THE FOLLOWING PARAGRAPH MUST APPEAR IN ALL LOANS

All remaining principal and accrued interest is due and payable **[Maturity period—same as in F.1.]** from **[SELECT—Same as in F.1—**date of Note**—OR—**date of initial disbursement **]**.

ADDITIONAL REPAYMENT OPTIONS

Select none, one or several of the 3 following options

Option 1—Late Charge

13 CFR 120.221(d)/SOP 50-10(5), pg.224, Subpart "B", Chapter 1, Paragraph 16.b.(5).

Late Charge: If a payment on this Note is more than **[number of days (10 days minimum)—default is 10]** days late, Lender may charge Borrower a late fee of up to **[percent—default is 5]**% of the unpaid portion of the regularly scheduled payment.

Option 2—Net Earnings Recapture Clause Option

Note: when it is determined that this clause is necessary, it is recommended that the 'limitation of compensation' clause option be exercised. Otherwise, it is feasible for owner compensation to be adjusted to offset any requirements to prepay the loan.

Borrower must also pay, as a prepayment, an amount equal to **[SELECT—[Percent]**% of Borrower's 'net earnings'**—OR—**Borrower's 'net earnings' over $**[Amount]]**. This payment is due within 90 days of each of Borrower's subsequent fiscal year ends, commencing with the date of the Note. 'Net earnings' is defined as net profit after tax plus depreciation less all principal payments paid on all indebtedness of Borrower at the time of application.

Option 3—State Interest Rate Reduction Option

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 7a Wizard users: The 7a Wizard automatically inserts the following options as appropriate.

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

1. 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

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

   "The Mortgagor or Trust or (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

3. 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

4. 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

5. 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

6. Lender 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

7. 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

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

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

9. 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 7a Wizard users: Use of Proceeds section starts here...

G. USE OF PROCEEDS

13 CFR 120.120 and 120.130/SOP 50-10(5), Subpart "B", Chapter 2, Paragraph 4, pg. 126-133 – Eligible Use of Loan Proceeds.

SOP 50-10(5), Subpart "B", Chapter 7, Paragraph 3.c.(4), pg. 213-214 – Loan Closing and Disbursement.

Insert as many use of proceeds paragraphs as needed using the following 21(or 23) options

Use of Proceeds options/paragraphs 1-19 and 21 will not appear in Dealer Floor Plan Pilot Initiative Loans Options/Paragraphs 20, 22 and 23 are the only options for Dealer Floor Plan Pilot Initiative Loans. Option/Paragraph 23 can only be used once

1. $**[Amount]** to purchase land located at **[location]**.
2. $**[Amount]** to purchase land and improvements located at **[location]**.
3. $**[Amount]** to purchase improvements located at **[location]**.
4. $**[Amount]** to construct a building to be located at **[location]**. Construction financing guaranteed by SBA.
5. $**[Amount]** to add an addition to the building located at **[location]**. Construction financing guaranteed by SBA.
6. $**[Amount]** to make renovations to the building located at **[location]**. Construction financing guaranteed by SBA.
7. $**[Amount]** to pay off interim construction loan from **[Lender's name]**. Construction financing not guaranteed by SBA.
8. $**[Amount]** to pay off interim loan used for **[description]**.
9. $**[Amount]** to make leasehold improvements to the building located at **[location]**. Construction financing guaranteed by SBA.
10. $**[Amount]** to purchase equipment.
11. $**[Amount]** to purchase fixtures.
12. $**[Amount]** to purchase inventory.
13. $**[Amount]** to pay trade or accounts payable.
14. $**[Amount]** to pay notes payable to **[payee]**.
15. $**[Amount]** to pay outstanding debt to **[payee]**.
16. $**[Amount]** to purchase the business known as **[name of business] [OPTION–**, according to the executed Purchase Agreement dated **[date]]**.

17. $**[Amount]** to purchase all outstanding stock of **[name of corporation]** held by **[Stockholder]**.
18. $**[Amount]** to pay SBA loan number **[Loan number]**.
19. $**[Amount]** for working capital.
20. $**[Amount]** to pay the guarantee fee (Lender may not disburse Loan proceeds solely to pay the guarantee fee)
21. $**[Amount]** **[**to/for **(Write your own)]**.

For Dealer Floor Plan Pilot Initiative with no refinancing—not repeatable

22. Loan proceeds may only be used for the acquisition of titleable inventory for retail sales. Repayment of this line will occur as the acquired inventory is sold.

For Dealer Floor Plan Pilot Initiative with refinancing—repeatable

23. $**[Amount]** to be used to refinance a floor plan line of credit with **[Lender's name]**.

The following paragraphs appear when Option 23 is used for Dealer Floor Plan Pilot Initiative Loans

Prior to initial disbursement, Lender must ensure that:

a. Collateral for any loan that is being refinanced is transferred to secure this Loan.

b. Any outstanding receivable that would have been applied to pay down any refinanced loan will be applied to pay down this Loan in the same percentage.

Subsequent disbursements must be used for the acquisition of titleable inventory for retail sales. Repayment of this line will occur as the inventory acquired as a result of the act of refinancing or inventory acquired directly with the Loan proceeds is sold.

The following paragraph must always appear in Non-Dealer Floor Plan Pilot Initiative Loans

13 CFR 120.111, 120.111(a)(5)/SOP 50-10(5), Subpart "B", Chapter 2, Paragraph 3.f.(1)(ii), pg. 119 — EPC use of proceeds.

All amounts listed above are approximate. Lender may not disburse Loan proceeds solely to pay the guarantee fee. Lender may disburse to Borrower, as working capital only, funds not spent for the listed purposes as long as those funds do not exceed 10% of the specific purpose authorized or $10,000.00, whichever is less. An Eligible Passive Company may not receive working capital funds.

The following paragraph will appear in Dealer Floor Plan Pilot Initiative Loans

All amounts listed above are approximate. Lender may not disburse Loan proceeds solely to pay the guarantee fee.

The following paragraphs must always appear

The loan must be made for a sound business purpose and must benefit the small business, and one 7(a) loan may not be split into two 7(a) loans merely to benefit the Lender. 13 CFR 120.120 and 120.130(e).

SOP 50-10(5), Subpart "B", Chapter 7, Paragraph 3.c.(4)(ii), pg. 214 — **1050 required**; SOP 50-50(), pg 9-9, Chapter 9, Paragraph 9; SOP 50-51(2)B, Chapter 13, Paragraph 22, pg. 13-2 and 13-3 – Verification of use of loan proceeds.

Lender must document that Borrower used the loan proceeds for the purposes stated in this Authorization. Lender and Borrower must complete and sign SBA Form 1050 at the time of first disbursement. Lender must document the first and all subsequent disbursements by attaching required documentation to the original SBA Form 1050 and must maintain the documentation in the Loan file, following procedures described in SOP 50-10(5).

For 7a Wizard users: Collateral Conditions 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:

Create as many collateral conditions as needed.

IMPORTANT—READ THIS FIRST!

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

1. **[Insert first Collateral Condition here]**
2. **[Insert second Collateral Condition here]**
3. **[Etc.—Insert as many Collateral Conditions as needed]**

The following Collateral Conditions must appear in Dealer Floor Plan Pilot Initiative Loans

4. Collateral must include a first perfected security interest in all titleable inventory acquired with any portion of the proceeds from the SBA-guaranteed floor plan line of credit.
5. If the Borrower has more than one floor plan line then the inventory supported by each line is to be separately accounted for and the sale proceeds (or at least the percentage of the sale proceeds equal to the percentage of the cost financed under the line) of any inventory acquired with any portion of the floor plan line guaranteed by SBA must be used to reduce the balance on that line. In addition, if there are multiple floor plan lines with multiple floor plan creditors the borrower must have appropriate delineated inter-creditor agreements to enable proper security interest perfection. Lender must obtain and retain copies of the inter-creditor agreements in its loan file.
6. Title must be assigned to Lender for each vehicle for which a title is previously recorded.
7. A complete inventory of all vehicles, including the VIN, securing the line must be obtained prior to any disbursement, and at least monthly.

The following Collateral Condition must appear if borrower is an EPC

13 CFR 120.111a(3)/SOP 50-10(5), Subpart "B", Chapter 2, Paragraph 3.f.(1), pg. 119—Conditions necessary to qualify as an EPC.

For 7a Wizard users: This option is automatically inserted when the "Borrower is an Eligible Passive Company" option is selected on the Borrower Information panel.

8. **Assignment of Rents from Eligible Passive Company**. Lender must obtain a perfected assignment of all rents paid under the lease between the Eligible Passive Company and the Operating Company. The term of lease, with options to renew exercisable solely by the Operating Company, must be for at least the term of the Loan. The lease must be subordinate to Lender's Security Interest, Deed of Trust or Mortgage. Lease payments must be no more than is necessary to amortize debt plus pay expenses related to holding the property.

The following paragraphs must always appear

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

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

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

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

b) 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 7a Wizard users: the following paragraphs are automatically inserted by the 7a Wizard as appropriate.

The following paragraphs must appear if any guarantor, 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 or 148L) 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 or 148L) 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 must 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 must 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 must appear if a guarantee is to be signed by a resident 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 must 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) 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 (SBA Form 148 or 148L) 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 each guarantor is the note 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 7a Wizard users: Additional Conditions (Part I) starts here...

I. ADDITIONAL CONDITIONS

INSURANCE REQUIREMENTS (MANDATORY)

1. **Insurance Requirements**

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

Flood Insurance (MANDATORY for collateral)

13 CFR 120.170/SOP 50-10(5), Subpart "B", Chapter 5, Paragraph 2.c., pg. 193—Flood Insurance. Note: The SBA requires flood insurance on personal property collateral even when the real estate where the property is located is not collateral but is in a flood 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.

(2) If any equipment, fixtures, or inventory that is collateral for the Loan ("Personal Property Collateral") is in a building 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") is in a building 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 SBA's requirement for flood insurance for the Personal Property Collateral when the building is not collateral for the Loan, but only if Lender, using prudent lending standards, puts a written determination into the Loan file that flood insurance is either not available or not economically feasible.

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 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(5), Subpart "B", Chapter 5, Paragraph 2.a.(2), pg. 192.

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 must 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 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 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(5), Subpart "B", Chapter 5, Paragraph 2.a.(3), pg. 192.

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 must 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 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 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 prior written notice to Lender of policy cancellation.

Life Insurance (OPTIONAL)

SOP 50-10(5), Subpart "B", Chapter 5, Paragraph 2.d., pg. 193-194.

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)

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 for all commercial real property)

SOP 50-10(5), pg. 182-190, Subpart "B", Chapter 4, Paragraph 3, and applicable appendices – Environmental Policy.

2. **Environmental Requirements**

a. Lender may not disburse the Loan until it has:

(1) completed the review for potential environmental contamination required in SOP 50-10(5) ("Environmental Investigation") on each business real property site taken as collateral, and;

(2) sufficiently minimized the risk from any adverse environmental findings discovered in the Environmental Investigation, or otherwise, as required by SOP 50-10(5), Subpart "B", Chapter 4 (Environmental Policies and Procedures) and applicable appendices.

Insert the following paragraph (b) for regular non-PLP loans when Lender did not submit the results of the Environmental Investigation.

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.

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(5), the Loan Officer, in consultation with counsel, should use this section to add Authorization conditions based on the SOP guidelines.

BORROWER, GUARANTOR AND OPERATING COMPANY DOCUMENTS (MANDATORY)

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

The following paragraphs must always appear

a. Prior to closing, Lender must obtain from Borrower, Guarantor and Operating Company a current copy of each of the following as appropriate:

(1) **Corporate Documents**—Articles or Certificate of Incorporation (with amendments), any By-laws, Certificate of Good Standing (or equivalent), Corporate Borrowing Resolution, and, if a foreign corporation, current authority to do business within this state.

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

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

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

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

(6) **Trustee Certification**—A Certificate from the trustee warranting that:
   (a) The trust will not be revoked or substantially amended for the term of the Loan without the consent of SBA;
   (b) The trustee has authority to act;
   (c) The trust has the authority to borrow funds, guarantee loans, and pledge trust assets;
   (d) If the trust is an Eligible Passive Company, the trustee has authority to lease the property to the Operating Company;
   (e) There is nothing in the trust agreement that would prevent Lender from realizing on any security interest in trust assets;
   (f) The trust agreement has specific language confirming the above; and
   (g) The trustee has provided and will continue to provide SBA with a true and complete list of all trustors and donors.

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

b. Prior to closing, Lender must obtain from Borrower and Operating Company:

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

The Following Paragraphs (2 to 9) are optional

Note: Paragraph (4), (6), (7), (8) and (9) may be repeated if necessary

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

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

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

(5) **Consideration for Stock Purchase—**A certification by the following corporation(s): **[List of Corporations]**; acknowledging that: (a) the Loan proceeds will be used to acquire all or part of its corporate stock; (b) it promises to be jointly and severally liable for the debt; (c) the Loan assistance constitutes sufficient consideration for such promise; and (d) it waives any defense relating to failure of consideration.

(6) **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.

(7) **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.

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

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

OPERATING INFORMATION (MANDATORY)

4. **Operating Information**

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

Verification of Financial Information (MANDATORY)

SOP 50-10(5), pg. 194 - 196, Subpart "B", Chapter 5, Paragraph 3.

SOP 50-10(5), pg. 132-133, Subpart "B", Chapter 2, Paragraph 4.e. – Change of Ownership

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, or the Operating Company if the Borrower is an EPC, for the last 3 years (unless Borrower or Operating Company is a start-up business). If the business has been operating for less than 3 years, 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. 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 Lender does not receive a response from the IRS or copy of the tax transcript within 10 business days of submitting the IRS Form 4506-T, then Lender may close and disburse the loan provided that Lender sends a second request following precisely the procedures detailed in SOP 50-10(5) and Lender performs the verification and 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 and Operating Company have 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(5), pg. 193, Subpart "B", Chapter 5, Paragraph 2.c.—SBA Flood Insurance Requirements

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

Lease (OPTIONAL)

Use this provision if any 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(5), pg. 196-197, Subpart "B", Chapter 5, Paragraph 5—Collateral on Leased Property

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

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

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

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

Agreement of Franchisor (OPTIONAL)

SOP 50-10(5), pg. 199, Subpart "B", Chapter 5, Paragraph 7.

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) 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 notice of intent to terminate the Franchise Agreement.

(4) To give Lender the same opportunity to cure any defaults under the franchise or lease agreement that is given to Franchisee under the same agreements.

INJECTION (OPTIONAL)

13 CFR 120.150(f)/SOP 50-10(5), pg. 172-174, Subpart "B", Chapter 4, Paragraph 1.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.

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(5), pg. 173, Subpart "B", Chapter 7, Paragraph 1.b.(2)(1)(d)—SBA Standby Injection Policy

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; SOP 50-10(5), pg. 176-180, Subpart "B", Chapter 4, Paragraph 2.c.

7. **Appraisal**

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

The 4 following options may 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 if project includes construction)

13 CFR 120.174 and 13 CFR 120.200. SOP 50-10(5), pg. 197-199, Subpart "B", Chapter 5, Paragraph 6.—Construction Loan, Earthquake Hazards and Bonding Requirements.

For 7a Wizard users: This section is automatically inserted by the 7a wizard if Use of Proceeds (G) includes paragraphs 4, 5, 6, 7 or 9.

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.

b. 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.

c. Prior to closing, if an "as completed" appraisal was obtained prior to construction, Lender must also get a certification from the appraiser after construction is completed to determine

if the appraisal needs to be adjusted to reflect substantial changes in the final project from the original plans and specifications.

Select one of the 3 following options

Option 1—Construction Financing with SBA Guarantee; Construction Component $350,000 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.

Option 2—Construction Financing with SBA Guarantee; Construction Component more than $350,000

f. Prior to the commencement of any construction, Lender must obtain from Borrower:

(1) **Bonds**—Evidence that the contractor has furnished a l00% performance bond and labor and materials payment bond. Only a corporate surety approved by the Treasury Department using an American Institute of Architect's form or comparable coverage may issue these bonds. Only Borrower may be named as obligee on the bonds.

(2) **Insurance**—Evidence that contractor carries appropriate Builder's Risk and Worker's Compensation Insurance.

(3) **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.

(4) **Plans and Specifications**—Final plans and specifications for Lender review.

(5) **Construction Contract**—One (1) copy of a Construction Contract with an acceptable contractor at a specified price not to exceed $**[Amount]**. The contract must include an agreement that Borrower will not order or permit any material changes in the approved plans and specifications without prior written consent of Lender and the surety providing the required bonds.

g. **Lender must**:

(1) **Cost Overruns—**Obtain evidence of Borrower's ability to pay cost overruns or additional construction financing expenses prior to approving any contract modification. Lender and SBA are not obligated to increase the loan to cover cost overruns.

(2) **Inspection—**Make interim and final inspections to determine that construction conforms to the plans and specifications.

(3) **Codes and Permits—**Obtain evidence that the building, when completed, will comply with all state and local building and zoning codes, and applicable licensing and permit requirements.

(4) **Compliance Form—**Obtain SBA Form 601, Applicant's Agreement of Compliance.

(5) **Lien Waivers —**Obtain lien waivers or releases from all materialmen, contractors, and subcontractors involved in the construction.

(6) **Construction Safeguards**—Take all normal other construction loan safeguards appropriate for the Loan.

Option 3—Construction Financing without SBA Guarantee

h. **Financing—**Interim financing provided by **[name]** at its own risk.

i. **Required Documentation**—At or prior to closing the Loan if any proceeds will be used to repay interim construction financing, Lender must obtain evidence that:

(1) contractor has substantially completed construction;

(2) all elements of the construction are paid in full;

(3) Borrower or Operating Company occupies (or will shortly occupy in the case of an escrow closing) the property;

(4) the property complies with all zoning and necessary governmental permit and licensing requirements; and

(5) no unpaid labor or material liens exist.

NON-CITIZENS (MANDATORY if applicable)

Use Option 1 for Non-Citizens with 50% or more ownership of the Operating Company or Eligible Passive Company and Option 2 for Non-Citizens with 20-49% ownership of the Operating Company or Eligible Passive Company. See SOP 50-10(5), pages 116-119, Subpart "B", Chapter 2, Paragraph 3.e.

Note: Paragraph (9) and (10) may be repeated if necessary

Select one of the following 2 options

Option 1 – Mandatory for Non-Citizens with at least 50% ownership of the OC or EPC

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.

Option 2 – Mandatory for Non-Citizens with 20-49% ownership of the OC or EPC

10. 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)

11. **Certifications and Agreements**

a. Additional Financing provided by [Name of "Pari Passu" Lender] ("Pari Passu Lender")

(1) Pari Passu Lender will provide additional financing to the Borrower at or about the same time for the same or a similar purpose financed by this Loan in the amount of $**[PariPassuAmount]** that will not be guaranteed by SBA (hereafter called the "Pari Passu Loan"). Both loans must be secured with the same collateral. Both loans must have a shared lien ("Pari Passu") on all collateral securing either loan and a shared position with respect to any recovery from any other source, such as insurance or set-off. The outstanding principal balance of each loan at the time of default (as defined in this paragraph) on either loan will determine how to calculate the pro-rata sharing of each dollar collected after default. Default is defined as any condition or event which would constitute a default under the terms and conditions of either loan, even when such a condition or event has not yet been declared a default.

(2) Pari Passu Loan must include a cross default provision between the Pari Passu Loan and this Loan. The Pari Passu Lender must give the Lender written notice of default within 30 days of default on the Pari Passu Loan.

(3) Pari Passu Loan must not include the following in its note or loan documents:
   (a) A provision to allow future advances except advances made for the reasonable costs of collection, maintenance, and protection of Pari Passu Lender's shared lien.
   (b) A provision that permits the Pari Passu loan be cross-collateralized with other non-SBA financing provided by the Pari Passu Lender to Borrower (and/or Operating Company, if the Borrower on this Loan is an Eligible Passive Company).
   (c) A provision that permits the Pari Passu Lender to make demand on the Pari Passu Loan for reasons other than default.

(4) If the Pari Passu Lender transfers or assigns all or part of the Pari Passu Loan, the Pari Passu Lender must:
   (a) Notify all transferees and assigns of these requirements applicable to the Pari Passu Loan, which also must bind any transferee or assignee.
   (b) Notify the Lender of the transfer or assignment within 30 days of the transfer or assignment of the Pari Passu Loan.

(5) If the Pari Passu Loan is not made by the Lender then, prior to disbursement of this Loan, Lender must execute an Inter-Creditor Agreement with the Pari Passu Lender that includes the requirements identified in paragraphs (1), (2), (3), and (4) above and contains no provisions that conflict with or modify these requirements.

The following paragraph always appears

b. Prior to disbursement, Lender must require Borrower and Operating Company to certify that:

Receipt of Authorization (MANDATORY)

(1) **Receipt of Authorization**—Borrower and Operating Company have received a copy of this Authorization from Lender, and acknowledge 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.

Child Support (MANDATORY)

13 CFR 120.171/SOP 50-10(5), pg.199, Subpart "B", Chapter 5, Paragraph 8.

(2) **Child Support—**No principal who owns at least 50% of the ownership or voting interest of the company is delinquent more than 60 days under the terms of any (a)

administrative order, (b) court order, or (c) repayment agreement requiring payment of child support.

Immigration Laws
(MANDATORY for Recovery Act Section 502)

Section 502 of the American Recovery and Reinvestment Act of 2009.

(3) **Immigration Laws**—Neither Borrower nor Operating Company has been determined by the Secretary of Homeland Security or the Attorney General to have engaged in a pattern or practice of hiring an alien, recruiting an alien, or referring an alien for a fee for employment in the United States, knowing that the person is an unauthorized alien.

Alternate Funding For Restricted Recovery Act Uses
(MANDATORY for Recovery Act Sections 501 and 502)

(4) No working capital loan proceeds from this loan will be used for any costs or expenses associated with a swimming pool, aquarium, zoo and/or golf course.

Alternate Funding For Restricted Recovery Act Uses
(MANDATORY for Recovery Act Sections 501 and 502)

(5) If any proceeds from this loan will be used for the construction, acquisition, addition, renovation, leasehold improvements or the payoff of an interim construction loan for the construction, addition, renovation or leasehold improvements for a business that has a swimming pool, aquarium, zoo and/or golf course, then alternate funding, which may come from Borrower's Injection, has been obtained to pay all costs reasonably and in good faith estimated to be allocable to the construction, acquisition, addition, renovation or leasehold improvements of the swimming pool, aquarium, zoo and/or golf course.

Current Taxes (MANDATORY)

SOP 50-10(5), pg. 215, Subpart "B", Chapter 7, Paragraph 3.d.(1)(iv).

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

Environmental (MANDATORY)

SOP 50-10(5), pg. 215, Subpart "B", Chapter 7, Paragraph 3.d.(1)(v).

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

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

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

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

(d) Until full repayment of Loan, Borrower **[and Operating Company]** will promptly notify 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 Operating Company]** 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 **[or Operating Company]**, Borrower **[or Operating Company]** 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 **[or Operating Company's]** operations. (Lender or SBA may require Borrower **[or Operating Company]** to execute a separate indemnification agreement).

The following paragraph always appears

c. Lender must require Borrower and Operating Company to certify that they will:

Reimbursable Expenses (MANDATORY)

13 CFR 120.221-222/SOP 50-10(5), pg. 157-160, Subpart "B", Chapter 3; Paragraph 6—SBA policy on Fees Lenders may charge; Paragraph 7 – 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(5), pg. 215, Subpart "B", Chapter 7, Paragraph 3.d.(1)(vii).

(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 **[Option–DFP only–**and monthly manufacturer's dealership financial statement (for dealers of new inventory) or monthly financial statements (for dealers of used inventory) no later than 7 days after the end of the previous month**]**;

(c) Furnish additional financial statements or reports whenever Lender requests them;

(d) Allow Lender or SBA, at Borrower's or Operating Company's expense, to:
[1] Inspect and audit books, records and papers relating to Borrower's and Operating Company's financial or business condition; and
[2] Inspect and appraise any of Borrower's and Operating Company's assets; and
[3] Allow all government authorities to furnish reports of examinations, or any records pertaining to Borrower and Operating Company, upon request by Lender or SBA.

Equal Opportunity (MANDATORY)

13 CFR 120.176/SOP 50-10(5), pg. 215, Subpart "B", Chapter 7, Paragraph 3.d.(1)(viii).

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

American-made Products (MANDATORY)

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

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

Taxes (MANDATORY)

SOP 50-10(5), pg. 215, Subpart "B", Chapter 7, Paragraph 3.d.(1)(x).

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

Occupancy (MANDATORY if building purchased, renovated, or constructed with loan proceeds)

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

OR

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

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

13 CFR 120.131—SBA Occupancy Policy; SOP 50-10(5), pg. 131-132, Subpart "B", Chapter 2, Paragraph 4.d.

For 7a Wizard users: When the occupancy options are selected, the wizard automatically inserts either paragraph (7) or (9) for EPC loans or (6) or (8) for non-EPC loans.

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

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

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

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

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

The following paragraph always appears

d. Lender must require Borrower and Operating Company to certify that they 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 and/or Operating Company.

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(5), pg.216, Subpart "B", Chapter 7, Paragraph 3.d.(3).

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

Location Limitation (OPTIONAL)

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

Limitation on Compensation (OPTIONAL)

SOP 50-10(5), pg. 216, Subpart "B", Chapter 7, Paragraph 3.d.(3).

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

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

For 7a 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 non-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

Appendix A
Standard Collateral Conditions

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

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A. Guarantees

SBA generally takes a full unconditional guarantee.

SOP 50-10(4)(E), pg. 99-100, Subpart "A", Chapter 5, Paragraph 2 - SBA requirements for Guarantees. Holders of 20% or more ownership interest must guarantee the loan.
If this is an EPC/OC loan, then under SOP 50-10(4)(E), pg.45 - 50-2, Chapter 2, Paragraph 9, the Operating Company must guarantee the loan if it is not a Co-Borrower and each holder of a 20% or more ownership interest in either the EPC or OC must guarantee the loan.
If the EPC is a trust, then under SOP 50-10(4), pg.49, all trustors and donors must guarantee the loan.

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

1. Full Unsecured Guarantee

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

2. Full Secured Guarantee

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

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

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

3. Limited Unsecured Guarantee

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

Select One And Only One Of The Following Paragraphs

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

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

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

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

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

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

4. Limited Secured Guarantee

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

Select One And Only One Of The Following Paragraphs

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

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

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

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

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

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

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

The following always appears

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

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

B. Realty And Leaseholds

1. Lien On Land And Improvements

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

*The following [Option – Shared] must appear in **7a, 504 and EWCP Authorizations only if shared lien position**.*

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

The following must appear if first lien position.

a. subject to no other liens.

The following must appear if junior lien position.

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

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

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

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

*The following must appear in **504 Authorizations only** if shared lien position.*

c. The lien securing the 504 Loan is a shared lien pari passu with that of **[name of lender]** in the amount of $**[amount]**. An intercreditor agreement, satisfactory to CDC and SBA, must be executed. The agreement (or a memorandum thereof) must be recorded.

The following paragraphs are optional.

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

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

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

f. Lender to file a Request for Notice pursuant to state law. For 504 Loans, notice required to CDC and SBA CLSC.

g. Written waiver of homestead required. (Residential property only.)

h. Statement of non-homestead required. (Residential property only.)

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

k. Written waiver of redemption rights is required. (Non-residential property only.)

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

m. Statutory Condition and the Statutory Power of Sale language required.

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

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

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

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

(3) Attorney's certificate of title or title opinion in favor of lender and assigns certifying that lender has obtained the required lien position.
[OPTION - Certificate or opinion will not contain a survey exception or an M.G.L. Section 21(e) exception unless a detailed engineering study satisfactory to Lender is submitted prior to closing.**]**
[MUST APPEAR if R/E located in VT - Certificate or opinion must address that

the real property and its use are in compliance with state and federal environmental laws and regulations, as well as zoning, subdivision and land use laws, as determinable from all relevant publicly issued, filed or recorded governmental documents.**]**

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

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

(6) CLTA Loan Policy.

(7) Limited Title Policy.

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

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

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

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

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

p. At the time of Closing, either:

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

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

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

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

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

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

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

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

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

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

The following paragraph is optional

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

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

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

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

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

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

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

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

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

(6) CLTA Loan Policy.

(7) Limited Title Policy.

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

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

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

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

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

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

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

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

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

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

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

The 2 following paragraphs a and b are optional

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

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

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

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

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

5. Leasehold Instrument on Building Constructed on Leased Land

*The following [Option – Shared] must appear in **7a, 504 and EWCP Authorizations only** if shared lien position.*

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

The following must appear if first lien position.

a. subject to no other liens.

The following must appear if junior lien position.

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

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

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

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

*The following must appear in **504 Authorizations only** if shared lien position.*

c. The lien securing the 504 Loan is a shared lien pari passu with that of **[name of lender]** in the amount of $**[amount]**. An intercreditor agreement, satisfactory to CDC and SBA, must be executed. The agreement (or a memorandum thereof) must be recorded.

The following paragraphs always appear

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

e. Lease must contain clauses providing for the following:

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

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

(3) Lender's or assignee's right to acquire the leasehold at foreclosure sale or by assignment and right to reassign the leasehold estate (along with right to exercise any options) by lender or successors; lessor may not unreasonably withhold, condition or delay the reassignment;

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

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

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

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

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

The following paragraphs are optional.

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

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

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

i. Lender to file a Request for Notice pursuant to state law. For 504 loans, notice required to CDC and SBA CLSC.

j. Written waiver of homestead required. (Residential property only.)

k. Statement of non-homestead required. (Residential property only.)

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

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

n. Written waiver of redemption rights is required. (Non-residential property only.)

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

p. Statutory Condition and the Statutory Power of Sale language required.

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

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

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

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

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

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

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

(6) CLTA Loan Policy.

(7) Limited Title Policy.

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

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

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

The following paragraph (LANDLORD'S WAIVER) is optional

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

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

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

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

t. At the time of Closing, either:

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

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

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

6. Leasehold Security Interest in building on leased land

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

The following must appear if junior lien position.

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

The following must appear if junior lien position.

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

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

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

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

*The following must appear in **504 Authorizations only** if shared lien position.*

c. The lien securing the 504 Loan is a shared lien pari passu with that of **[name of lender]** in the amount of $**[amount]**. An intercreditor agreement, satisfactory to CDC and SBA, must be executed. The agreement (or a memorandum thereof) must be recorded.

The following paragraphs must always appear.

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

e. Lease must contain clauses providing for the following:

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

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

(3) Lender's or assignee's right to acquire the leasehold at foreclosure sale or by assignment and right to reassign the leasehold estate (along with right to exercise any options) by lender or successors; lessor may not unreasonably withhold, condition or delay the reassignment;

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

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

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

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

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

7. Lessee's Interest in a Lease by Assignment

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

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

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

9. Leasehold on Tribal Land

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

10. Cooperative Apartment

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

C. Security Interests

1. Personal Property

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

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

*The following [Option – Shared] must appear in **7a, 504 and EWCP Authorizations only** if shared lien position.*

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

[OPTION - Equipment;**]**

[OPTION - Fixtures;**]**

[OPTION - Inventory;**]**

[OPTION - Accounts;**]**

[OPTION - Instruments;**]**

[OPTION - Chattel Paper;**]**

[OPTION - General Intangibles;**]**

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

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

[OPTION - Write Your Own]

*The following must appear in **504 Authorizations only** if shared lien position.*

a. The lien securing the 504 Loan is a shared lien pari passu with that of **[name of lender]** in the amount of $**[amount]**. An intercreditor agreement, satisfactory to CDC and SBA, must be executed. The agreement (or a memorandum thereof) must be recorded.

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

Note : Options a and c can be repeated if necessary

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

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

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

The following paragraph (LANDLORD'S WAIVER) is optional

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

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

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

The following paragraph must always appear

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

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

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

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

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

2. Liquor License

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

The following must appear if first lien position.

a. subject to no other liens.

The following must appear if junior lien position.

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

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

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

(3) [etc., up to four]

3. Vehicle

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

The following must appear if first lien position.

a. subject to no other liens.

The following must appear if junior lien position.

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

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

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

(3) [etc., up to four]

4. Mobile Home

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

The following must appear if first lien position.

a. subject to no other liens.

The following must appear if junior lien position.

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

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

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

(3) [etc., up to four]

5. Aircraft

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

The following must appear if first lien position.

a. subject to no other liens.

The following must appear if junior lien position.

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

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

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

(3) [etc., up to four]

The following paragraph always appears

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

6. Vessel

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

The following must appear if first lien position.

a. subject to no other liens.

The following must appear if junior lien position.

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

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

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

(3) [etc., up to four]

The following paragraph always appears

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

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

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

D. Assignments of Interest

1. Certificate of Deposit

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

2. Mutual Fund

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

3. Corporate Stock (by pledge)

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

4. Note

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

5. Contract

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

6. Government Contract

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

7. U.S. Patent

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

8. Franchise Agreement

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

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

Appendix B
State-specific Options in the Standard Collateral Conditions

This appendix describes the title options and other requirements for real property collateral liens in SBA authorizations, for every U.S. state and territory.

For each state, this appendix lists below the types of lien instruments available, the available evidence of title options and additional provisions required by the SBA for real property liens, called Boilerplate Provisions. The Boilerplate Provisions for each state are mandatory where applicable.

Please note special requirements for 504 projects: the ALTA Title Policy is required where it is available. The exceptions are Alabama, Indiana, Iowa and Texas.

Evidence of Title Key. *Refer to Appendix A for the full text.*

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

Boilerplate Provision Requirements Key. *Refer to Appendix A for the exact text.*

(1) (index not used)
(2) Prior open ended lien(s) closed in writing according to applicable state law. Revolving line(s) of credit limited in writing to the amount stated.
(3) Written agreement from prior lienholders to provide Lender with [Number of days] days written notice before commencing foreclosure of prior lien.
(4) Request for Notice filed pursuant to state law. For 504 Loans, notice required to CDC and SBA CSLC.
(5) Written waiver of homestead. (Residential property only).
(6) Prior lienholder written verification (a) of amount owing on prior obligation, (b) that prior obligation is current on payments, and (c) that prior obligation is not otherwise in default.
(7) Written waiver of redemption rights. (Non-residential property only).
(8) Survey, certified to Lender, or prior survey and affidavit of no change acceptable to Lender.
(9) Written waiver of Business Homestead required if real property collateral is owned by an individual or an individual and spouse.
(10) Statement of non-homestead. (Residential property only.)
(11) Statutory Condition and the Statutory Power of Sale language required.

Real Property Provisions by state

Alabama

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

Alaska

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

Arizona

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

Arkansas

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

California

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

Colorado

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

Connecticut

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

Delaware

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

Florida

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

Georgia

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

Guam

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

Hawaii

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

Idaho

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

Illinois

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

Indiana

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

Iowa

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

Kansas

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

Kentucky

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

Louisiana

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

Maine

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

Maryland

Instrument: Deed of Trust; Indemnity Deed of Trust (when securing guarantee)
Evidence of Title: (1) (2) (3) (8) (5)
Boilerplate: (2) (3)

Massachusetts

Instrument: Mortgage
Evidence of Title: (1) (2) (3) (5)
Boilerplate: (2) (6) (10) (11)

Michigan

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

Minnesota

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

Mississippi

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

Missouri

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

Montana

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

Nebraska

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

Nevada

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

New Hampshire

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

New Jersey

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

New Mexico

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

New York

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

North Carolina

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

North Dakota

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

Ohio

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

Oklahoma

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

Oregon

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

Pennsylvania

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

Puerto Rico

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

Rhode Island

Instrument: Mortgage
Evidence of Title: (1) (2) (3) (4) (5)
Boilerplate: (2) (3) (10) (11)

South Carolina

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

South Dakota

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

Tennessee

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

Texas

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

Utah

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

Vermont

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

Virginia

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

Washington

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

Washington DC

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

West Virginia

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

Wisconsin

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

Wyoming

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

Appendix C
Frequently-Asked Questions (FAQ's)—7a

This appendix is a compilation of frequently asked questions (FAQ's) relating to the Boilerplate. For questions relating to the operation of the Wizard, refer to the FAQ section of the "7a Wizard Help Topics" available from the 7a Wizard menu.

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

Additional FAQ's published after the release date of this document will be posted on SBA's Intranet and banking web site (www.sba.gov/aboutsba/sbaprograms/elending/authorizations/).

SBA has created an Exchange Mailbox - "Auth-7a@sba.gov" to receive and respond to questions raised by SBA employees. SBA employees should first submit questions, comments and suggestions through their supervisory financing personnel or counsel, who may be able to resolve the issue locally.

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

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1. Why was the Authorization changed so that it is no longer a Loan Agreement?

Under SBA regulations, the Authorization is not an agreement to lend money (see 13 CFR 120.10). The Authorization is intended to provide the lender with specific conditions which must be met for SBA to provide a guaranty of the loan the lender is making to the borrower. It is not a contract between SBA and the borrower, and the borrower is not a third party beneficiary of the Authorization. SBA is not lending money to the borrower and SBA cannot force a lender to make a loan to any borrower, even if the borrower complies with the terms of the Authorization. The borrower and operating company do not sign the Authorization. The change in focus reflects these SBA policies.

The requirements of the Authorization are directed to the lender. SBA is not directing borrowers to meet certain requirements. SBA directs lenders to obtain the information, documents, and certifications from the borrowers necessary to meet SBA's requirements for a guaranty. When a lender requests that SBA honor its guaranty, SBA requires the lender to present evidence that the loan was properly closed in accordance with the Authorization and serviced and liquidated according to SBA policies. Lenders are responsible for meeting SBA requirements and the focus of the Authorization emphasizes this SBA policy.

2. Does SBA require a loan agreement? What sample form can lenders use for borrower's certifications?

SBA does not require that a lender use a loan agreement. It is up to a lender to determine whether a loan agreement is needed for its lending practice. Paragraph C. of the Boilerplate states that it is a lender's sole responsibility to close the loan in accordance with the terms and conditions of the authorization, to obtain valid and enforceable loan documents, and to retain the documents. SBA does not require a loan agreement but does require that the documents be enforceable and that the borrower makes certain certifications. Lenders are provided with a sample form, Borrower's Certification (2 pages - see Appendix D), which is a compilation of the various certifications found in the Boilerplate and provides a space for the borrower to initial next to those certifications applicable to the particular loan. Lenders will need to retain an executed document containing these certifications, and may use this sample form as a basis for that document or for incorporating the required certifications into their loan agreement. Lenders are also provided with a sample Loan Agreement form (1 page - see Appendix D) which they may use. SBA is leaving the issue of whether a loan agreement is required, and what form it should take, up to the lender, but SBA does require that necessary borrower's certifications be made in writing.

3. What if Authorization provisions conflict with SOP 50-10?

If you discover an apparent conflict, please send an e-mail to "Auth-7a@sba.gov" mailbox describing the conflict and stating the SOP paragraph and the authorization paragraph which you believe conflict. You must continue to use the Boilerplate. The Boilerplate reflects current SBA policy. OGC and OFA have reviewed and approved the Boilerplate. The Boilerplate is considered an Appendix to SOP 50-10(5). The Boilerplate will be updated from time to time to reflect policy changes in subsequent regulations, Notices, or SOPs.

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

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

Future updates to the Authorization will be available at www.sba.gov/aboutsba/sbaprograms/elending/authorizations/. OCIO will download copies automatically

to each processing office's LAN with notification via SBA information channels. SBA offices also will be able to obtain the files from the above web site or via SBA's Intranet.

Lenders should check the SBA web site or with their local SBA office periodically to insure they have the latest version of the Authorization. Once SBA releases a new version, there will be a 30-day grace period to begin using the new version. If you are using the Wizard, the version is printed in the footer of each authorization document, or the version can be seen by selecting the 'About 7a Wizard' option in the 7a Wizard menu. It is also printed on the first page of the Boilerplate.

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

The Boilerplate lists all SBA required forms. (The 7a Wizard automatically adds SBA Forms 148 and 601 when applicable.)

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

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

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

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

The Authorization gives a lender the requirements that must be met for SBA to guarantee a loan. It does not instruct the lender how specifically to meet those requirements. As lenders, they are responsible for knowing how to properly close loans, secure collateral, and obtain and perfect the required lien position. A lender and SBA sign a Loan Guaranty Agreement, SBA Form 750, that provides the general requirements the lender must meet for SBA to guarantee loans at lender's request. SBA lenders must follow SBA's regulations and SOP requirements. They are held to a prudent lender standard.

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

The Boilerplate notifies lenders that they must obtain "the signature or written consent of any obligor's spouse if such consent or signature is necessary to bind the marital community or create a valid lien on marital property." SBA holds lenders responsible for knowing how to create and properly perfect a lien on property required by the Authorization. The Authorization gives a lender the requirements that must be met for SBA to guarantee the loan between the lender and the borrower. It does not instruct the lender on how to meet those requirements. The lender, not SBA, must determine the legal ownership of a piece of real estate and determine what signatures must be obtained to create enforceable documents.

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

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

9. May I write my own repayment terms, or use local lender terms and skip the standard repayment terms?

You may not replace the standard repayment terms in the Authorization with lender-specific or office-specific language. This includes the terms related to initial adjustment of the interest rate on variable rate loans. All authorized 7a loan options have been provided. The language has also been approved as acceptable to the secondary market. If there is a need for a specific term for a particular loan that is not in the Boilerplate, you and the SBA counsel should work together to draft a provision for use in that specific case.

Colson, NAGGL, several national PLP lenders, and other lenders have reviewed and commented on the repayment provisions. Their comments were taken into account in drafting the terms in the Boilerplate and certain options were added in response to lenders' concerns.

10. Why doesn't the Authorization require lenders to use the low prime published in the Wall Street Journal?

The Wall Street Journal now only publishes one prime rate. This rate is based on the corporate loan rate charged by 75% of the nation's 30 largest banks.

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

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

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

SBA Headquarters selected the Logo instead of the Seal.

13. How is the SBA Loan Name determined?

Choose the first available name from this list:

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

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

14. What is SBA's Environmental Policy?

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

15. Why does the Authorization place restrictions on any lender's non-SBA financing when that lender takes a shared lien on joint ("Pari Passu") financing?

The Authorization provides that when any lender, including the participant lender (the "Pari Passu Lender"), makes a related non-SBA ("Pari Passu") loan taking a shared lien position on collateral also financed with and securing an SBA loan, any charges and advances made by that Pari Passu Lender in connection with the shared lien are prohibited, other than advances made in connection with reasonable costs of collection, maintenance and protection of Pari Passu Lender’s shared lien. The Authorization also prohibits the Pari Passu Lender from making a demand on the Pari Passu Loan for reasons other than default. The purpose of this provision is to insulate the SBA loan from any shared lien default charges or open ended features which may adversely affect repayment of the SBA loan. If the Pari Passu Lender is not the participant lender, then prior to disbursement the participant Lender must obtain an Inter-Creditor Agreement from the Pari Passu Lender containing these provisions.

16. How does a lender or SBA loan officer add loan specific provisions to the Authorization?

There is an OPEN OPTION for the processing officer or lender to add loan specific requirements. It is expected that lender and SBA staff, including SBA counsel, will communicate closely in drafting these requirements. For more information on how to use the Open Options with the 7a Wizard, refer to the 7a Wizard Help available from the 7a Wizard menu.

Any special conditions created for use in the authorization can only be used one time before obtaining SBA approval of the language. This includes conditions created by PLP Lenders or SBA offices. To obtain approval to use a special condition in more than one authorization, contact 7(a) Policy Branch, Office of Financial Assistance, Mail Code 7881, Washington, DC 20416.

Appendix D
Loan Agreement and Borrower's Certification Sample Documents

This appendix contains 2 sample documents provided to lenders under the conditions described below:

SBA does not require that a lender use a loan agreement. It is up to a lender to determine whether a loan agreement is needed for its lending practice. Paragraph C of the Boilerplate states that it is a lender's sole responsibility to close the loan in accordance with the terms and conditions of the authorization, to obtain valid and enforceable loan documents, and to retain the documents.

SBA does not require a loan agreement but does require that the documents be enforceable and that the borrower makes certain certifications.

Lenders are provided with a sample form, **Borrower's Certification** (2 pages), which is a compilation of the various certifications found in the Boilerplate and provides a space for the borrower to initial next to those certifications applicable to the particular loan. Lenders will need to retain an executed document containing these certifications, and may use this sample form as a basis for that document or for incorporating the required certifications into their loan agreement.

Lenders are also provided with a sample **Loan Agreement** form (1 page) which they may use. SBA is leaving the issue of whether a loan agreement is required, and what form it should take, up to the lender, but SBA does require that necessary borrower's certifications be made in writing.

For 7a Wizard users:

A MS-Word version of the documents presented in this appendix is provided with the 7a Wizard. The MS-Word document is called **D7a2009.4.doc**. This document is not a wizard and is not connected to the 7a Wizard. It is a standard MS-Word document that can be edited in the same manner as any standard MS-Word document.

If the 7a Wizard was installed locally on your workstation, this document should be available in your MS-Word document directory that you can access via the **Open** command from the **File** menu.

If you are accessing the 7a Wizard via a local area network, contact your network administrator to know where the above document is located.

LOAN AGREEMENT

THIS LOAN AGREEMENT ("Agreement") is made _____, _____between the Borrower and Lender identified in the attached Authorization issued by the U.S. Small Business Administration ("SBA") to Lender, dated _____, _____, SBA Loan Number _____ ("Authorization").

SBA has authorized a guaranty of a loan from Lender to Borrower for the amount and under the terms stated in the attached Authorization (the "Loan").

In consideration of the promises in this Agreement and for other good and valuable consideration, Borrower and Lender agree as follows:

1. Subject to the terms and conditions of the Authorization and SBA's Participating Lender Rules as defined in the Guarantee Agreement between Lender and SBA, Lender agrees to make the Loan if Borrower complies with the following "Borrower Requirements". Borrower must:

    a. Provide Lender with all certifications, documents or other information Lender is required by the Authorization to obtain from Borrower or any third party;

    b. Execute a note and any other documents required by Lender; and

    c. Do everything necessary for Lender to comply with the terms and conditions of the Authorization.

2. The terms and conditions of this Agreement:

    a. Are binding on Borrower and Lender and their successors and assigns;

    and

    b. Will remain in effect after the closing of the Loan.

3. Failure to abide by any of the Borrower Requirements will constitute an event of default under the note and other loan documents

Borrower: _____

Lender: _____

BORROWER'S CERTIFICATION

INSTRUCTIONS: INDICATE THE PARAGRAPHS BEING CERTIFIED TO BY HAVING THE BORROWER INITIAL IN THE [_____] NEXT TO THE APPROPRIATE PARAGRAPHS, PRIOR TO SIGNING.

In order to induce _____ ("**Lender**") to make

a U. S. Small Business Administration (**"SBA"**) guaranteed Loan, SBA Loan Number _____

(**"Loan"**) to _____ ("**Borrower**"),

A. Borrower and _____ ("**Operating Company**") certify that:

[_____] 1. **Receipt of Authorization -** Borrower and Operating Company have received a copy of the Authorization for this Loan from Lender, and acknowledge 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.

[_____] 2. **Adverse Change -** That there has been no adverse change in Borrower's (and Operating Company) financial condition, organization, operations or fixed assets since the date the Loan application was signed.

[_____] 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 (1) administrative order, (2) court order, or (3) repayment agreement requiring payment of child support.

[_____] 4. **Immigration Laws – (Mandatory for Loans made under Section 502 of the Recovery Act of 2009)** Neither Borrower nor Operating Company has been determined by the Secretary of Homeland Security or the Attorney General to have engaged in a pattern or practice of hiring an alien, recruiting an alien, or referring an alien for a fee for employment in the United States, knowing that the person is an unauthorized alien.

[_____] 5. **Mandatory for Loans made under Sections 501 and 502 of the Recovery Act of 2009)** No working capital loan proceeds from this loan will be used for any costs or expenses associated with a swimming pool, aquarium, zoo and/or golf course.

[_____] 6. **Mandatory for Loans made under Sections 501 and 502 of the Recovery Act of 2009)** If any proceeds from this loan will be used for the construction, acquisition, addition, renovation, leasehold improvements or the payoff of an interim construction loan for the construction, addition, renovation or leasehold improvements for a business that has a swimming pool, aquarium, zoo and/or golf course, then alternate funding, which may come from Borrower's Injection, has been obtained to pay all costs reasonably and in good faith estimated to be allocable to the construction, acquisition, addition, renovation or leasehold improvements of the swimming pool, aquarium, zoo and/or golf course.

[_____] 7. **Current Taxes -** Borrower and Operating Company are current on all federal, state, and local taxes, including but not limited to income taxes, payroll taxes, real estate taxes, and sales taxes.

[_____] 8. **Environmental** — For any real estate pledged as collateral for the Loan or where the Borrower or Operating Company is conducting business operations (collectively "the Property"):

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

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

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

(d) Until full repayment of Loan, Borrower and Operating Company will promptly notify Lender if it knows or suspects that there has been, or may have been, a release of a Contaminant, in, at or under the Property, including groundwater, or if Borrower or Operating Company or such property 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 or Operating Company, Borrower or Operating Company 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 or Operating Company's operations. (Lender or SBA may require Borrower or Operating Company to execute a separate indemnification agreement).

B. Borrower and Operating Company certify that they will:

[_____] 1. **Reimbursable Expenses**- Reimburse Lender for expenses incurred in the making and administration of the Loan.

[_____] 2. **Books, Records, and Reports**-

a. Keep proper books of account in a manner satisfactory to Lender;

b. Furnish [*check one if appropriate:* ☐ compiled - ☐ reviewed - ☐ audited] year-end statements to Lender within _____ days *[120 days, if not filled in]* of fiscal year end;

c. Furnish additional financial statements or reports whenever Lender requests them;

d. Allow Lender or SBA, at Borrower's or Operating Company's expense, to:

1) Inspect and audit books, records and papers relating to Borrower's and Operating Company's financial or business condition; and

2) Inspect and appraise any of Borrower's and Operating Company's assets; and

3) Allow all government authorities to furnish reports of examinations, or any records pertaining to Borrower and Operating Company, upon request by Lender or SBA.

[_____] 3. **Equal Opportunity -** Post SBA Form 722, Equal Opportunity Poster, where it is clearly visible to employees, applicants for employment and the general public.

[_____] 4. **American-made Products -** To the extent practicable, purchase only American-made equipment and products with the proceeds of the Loan.

[_____] 5. **Taxes** - Pay all federal, state, and local taxes, including income, payroll, real estate and sales taxes of the business when they come due.

[_____] 6. **Occupancy -** Occupy, at all times during the term of the Loan, at least 51% of the total rentable property and 100% of the renovated rentable property. Borrower will not use Loan proceeds to improve or renovate any of the rentable property leased to third parties.

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

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

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

C. Borrower and Operating Company certify that they will not, without Lender's prior written consent:

[_____] 1. **Distributions**- Make any distribution of company assets that will adversely affect the financial condition of Borrower and/or Operating Company.

[_____] 2. **Ownership Changes** - Change the ownership structure or interests in the business during the term of the Loan.

[_____] 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.

[_____] 4. **Fixed Asset Limitation -** Acquire by purchase or lease agreement any fixed assets

(totaling more than $_____ in any year).

[_____] 5. **Location Limitation -** Acquire by purchase or by lease, any additional locations.

[_____] 6. **Limitation on Compensation -** Allow total annual salaries, withdrawals or other forms of remuneration to officers or owners of Borrower and Operating Company, and their immediate

family members, to exceed $_____.

[_____] 7. _____

_____

_____

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_____

_____

_____	_____
(Borrower) Date	(Operating Company) Date
By:_____	By: _____