

NORTH TEXAS CERTIFIED DEVELOPMENT CORPORATION

DISCLOSURE STATEMENT REGARDING 504 LOAN CONDITIONS AND FEES

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

NO REPRESENTATIONS:

- ∑ North Texas Certified Development Corporation is responsible for the preparation of the loan application sent to the SBA; NTCDC *cannot* ensure the success of your 504 loan application.
- ∑ SBA has final approval authority for the approval and funding of your 504 debenture.
- ∑ Disbursement of the loan proceeds is subject to your satisfactory compliance with the terms and conditions set forth in SBA's Authorization and Debenture Guaranty.
- ∑ SBA sets all loan conditions and any changes to the loan conditions **MUST** have SBA approval submitted through the CDC.

BORROWER'S EQUITY INJECTION:

- ∑ Equity *must* be in the form of cash or project-related real estate. The equity injection must be documented with copies of cancelled checks, paid invoices, settlement statements or other information.
- ∑ If any "equity" is borrowed and secured with any of the 504 project assets, the loan *must* be subordinated to the lien securing the 504 loan and **may not** be repaid at a faster rate than the 504 loan.
- ∑ A copy of any debt instrument **MUST** be supplied to NTCDC in the initial application.

INTEREST RATES:

- ∑ Any interest rate quoted to you is for illustration purposes only; actual interest rates are set at funding. Interest rates for 10 and 20 year debentures are based on a "spread" over the five (5) and ten (10) year US Treasury rates, respectively
- ∑ SBA will set the interest rate on the date of the debenture sale.
- ∑ The 504 loan *will not* be funded until the debenture sale, approximately 30 to 45 days after the execution of the 504 loan closing documents, provided all requirements set forth in SBA's Authorization have been satisfied.
- ∑ The participating lender will establish its own interest rate, and is not regulated by SBA.

LOAN FEES: "Net Debenture Proceeds" is NTCDC's percentage of the total project (maximum of 40%) financed by SBA/NTCDC. The following loan fees will be paid by the Borrower for the SBA portion of the 504 loan. All of these fees are financed in the 504 loan.

- ∑ NTCDC Processing Fee – 1.5% of the net debenture proceeds
- ∑ Two-thirds of the processing fee for the loan is payable upon acceptance of the terms of the Authorization. This fee will be refunded to you upon the sale of the Debenture.
- ∑ SBA Funding Fee – 0.25% of the net debenture proceeds
- ∑ Closing Costs – \$3,500 paid to NTCDC's closing attorney

- ∑ Underwriting Fee:
 - o 20 yr. debenture – sum of net debenture amount & fees divided by 0.99600; rounded up to the next highest thousand; multiply 0.00400
 - o 10 yr. debenture – sum of net debenture amount & fees divided by 0.99625; rounded up to the next highest thousand; multiply by 0.00375

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

These are not additional fees but are included in the interest rate quote.

- ∑ CDC Servicing Fee – Up to 1.00% per annum
- ∑ CFA Servicing Fee – 0.1% per annum
- ∑ Borrower Guaranty Fee – At this time, it is 0.975% per annum

The senior collateral lender will be charged a one-time participation fee of 0.5% of 1% of the senior loan amount.

CLOSING COSTS: Closing costs and expenses associated with the closing of the SBA 504 loan include, but are not limited to:

- ∑ Recording Fees
- ∑ Express Mail Fees
- ∑ Title work (i.e. abstracting, updating of titles, copies, etc)
- ∑ Title insurance policy premium
- ∑ Lien search fees
- ∑ Survey fees

These fees are paid by the borrower at closing and are in addition to and not financed with the 504 loan fees.

OTHER CONDITIONS:

- ∑ **PROJECT COST OVERRUNS** – The Borrower must pay for any additional project costs incurred as a result of overruns or unanticipated expenses in constructing/financing the project. Cost overruns to be funded by any source other than additional equity provided by Borrower **must** be approved by NTCDC/SBA prior to the 504 loan closing.
- ∑ **SUBORDINATION AND STANDBY OF SHAREHOLDER DEBT** – During the term of the SBA 504 loan, all indebtedness of Borrower to shareholder(s) shall be on standby. "Standby" means that no reduction in Borrower debt to any shareholder is allowed so long as any portion of the 504 loan is outstanding, without the prior written consent of SBA. Shareholder(s) will be required to execute a "Standby Creditors Agreement" at the closing of the 504 loan. The amount of debt to be placed on standby will be the amount owed by the Borrower to shareholder(s) as of the date of initial application to NTCDC (or a greater amount if it increases prior to the date of loan closing).
- ∑ **LIFE INSURANCE** – Life and/or disability insurance may be required to insure against the risk of death or disability of a person critical to the success of the small business or one whose continued earning power is being relied upon in making the loan. An assignment of the life

insurance policy will be required and will need to be assigned to NTCDC/SBA.

- Σ **HAZARD INSURANCE** – Hazard insurance is required from a carrier with a Best rating of A or better, covering fire, lighting, extended coverage, vandalism and malicious mischief for the maximum insurable value(s) on all property on which liens are taken, liability insurance, workers' compensation and Flood insurance if property is located in a flood zone.
- Σ **AUTOMATIC DRAFT** – SBA requires a payment program whereby the Borrower's 504 loan payments are automatically debited each month from the Borrower's bank account.
- Σ **ANNUAL FINANCIAL STATEMENTS** – Annual financial statements and tax returns on borrower's and the small business are required to be submitted to NTCDC.
- Σ **PREPAYMENT** – Payment of the entire outstanding balance may be made prior to the maturity date, but no partial prepayments may be made. Any prepayment during the half of the stated term must be accompanied by a prepayment premium, which will be a declining percentage of the debenture interest rate applied to the outstanding principal balance of the Note. A schedule of the dollar amount of the premium and the semi-annual payment dates will be provided to you after the funding of the 504 loan. In order to process a request for prepayment, NTCDC requires written notification at least 60 days prior to the semiannual prepayment date.
- Σ **ASSUMPTION FEE** – A fee of 1% of the outstanding principal balance of the loan will be charged by the NTCDC if the loan is assumed by another borrowing entity. In addition, the borrower must pay all costs and expenses incurred by NTCDC and/or the SBA in connection with the assumption.

In addition to the above limitations, this letter is subject to: (a) verification that all representations made by Borrower to NTCDC before or after issuance of this letter are factual; (b) verification that Borrower has complied (and/or is able to comply) with all conditions set forth by NTCDC, and (c) verification that no material or adverse change has occurred in the financial condition of Borrower or any guarantor since the time of application.

Upon approval by SBA, a written "Authorization and Debenture Guaranty", will be issued, and will be executed by SBA, NTCDC and Borrower. This authorization will represent the final agreement between the parties, and may not be contradicted by evidence of prior, contemporaneous or subsequent verbal agreements of the parties.

THE BELOW SIGNED APPLICANT DOES HEREBY INDEMNIFY AND HOLD NTCDC HARMLESS FROM ANY AND ALL LIABILITY FOR ANY LOSS, DAMAGE OR INJURY ARISING OUT OF OR RESULTING FROM THE FAILURE BY THE APPLICANT TO RECEIVE OR ACCEPT THE SUBJECT LOAN.

APPLICANT

AUTHORIZED SIGNATURE

DATE: _____