

**Six Bridges Capital Corporation**  
**SBA 504 Loan Program**  
**Lender's Guide**

**Eligible Use of Proceeds:**

- Land acquisition and improvements
- New construction
- Purchase of existing building(s)
- Purchase of Machinery and Equipment (minimum of 10 years useful life)
- Furniture and Fixtures (must be minimal in respect to total project costs)
- Professional Fees (engineering, architectural, environmental, appraisal)
- Contingency Fund (maximum 10% of construction costs)
- Interim construction loan interest

**Ineligible Use of Proceeds:**

- Debt refinance (other than interim financing)
- Working capital
- Short-term machinery and equipment
- Inventory
- Franchise Fees

**Loan Structure:**

- Percentages of total project costs:
  - 50% Bank conventional commercial loan (senior lien)
    - Bank's Note and Loan Documents cannot:
    - 1. allow for future advances
    - 2. be cross-collateralized
    - 3. have early call features
    - 4. be payable on demand
  - 40% 6BCC/SBA 504 loan (junior lien)
  - 10% Borrower's equity/cash injection
- Borrower may be required to provide a greater amount of equity/cash injection as follows:
  - 15% if new business (2 years or less) or limited use facility
  - 20% if both a new business and limited use facility

- Examples of limited use facilities include: theaters, sports arenas, schools, dormitories, cold storage plants, tennis clubs, golf courses, marinas, gasoline service stations, convenience stores, car wash properties, hospitals, medical centers, nursing homes, funeral homes, historic properties, sanitary landfills, museums, clubhouses, recreational properties, hotels and motels.
- The 6BCC/SBA 504 Loan amount will be reduced if the borrower is required to make a larger contribution toward project costs.
- The maximum amount of the 6BCC/SBA 504 Loan is \$1.5 million, however, the maximum is \$4,000,000 for small manufacturers and \$2,000,000 for SBA's Public Policy Goals (i.e. loans to veterans, minorities, exporters, women, etc.)
- Terms:

	<u>Bank Financing</u>	<u>504 Financing</u>
Real Estate loans	at least 10 years	20 years
Equipment loans	at least 7 years	10 years
Combination loans	at least 10 years	20 years
- The interest rate on the 6BCC/SBA 504 Loan is fixed for the term of the loan and is based upon U.S. Treasury rates. The Bank determines its own interest rate on its first mortgage loan.
- Fees:
  - SBA collects a one-time lender participation fee of 50 basis points of the Bank's senior loan. This fee may be passed on to the borrower as an interim funding fee.
  - The Bank determines if any additional fees are charged to the Borrower for its interim and/or permanent loans.
  - Fees related to the 6BCC/SBA 504 Loan will total approximately 2.65% of the 6BCC/SBA 504 Loan amount and are financed within the 6BCC/SBA 504 Loan.

**Appraisals:**

- Restricted Appraisal Reports are not acceptable under any circumstances. Acceptable appraisals include Self-Contained Appraisal Reports and Summary Appraisal Reports. Summary Reports must include all of the items required in a Self-Contained

Report, except the level of presentation can be less detailed or summarized.

SBA is not especially concerned about to whom the appraisal is addressed, however a completed appraisal will be carefully reviewed to ensure that it does not contain "restricted" language that would lead one to conclude that the appraisal cannot be completely relied upon.

### **Environmental Reports:**

- SBA requires an investigation and assessment of the environmental risk on all primary collateral offered as security for any loan in order that the risks of environmental contamination be assessed and addressed. The investigation and assessment may be as simple as an Environmental Questionnaire (completed by a 6BCC Loan Officer and signed by the Seller) to the completion of any required environmental clean-up.

If environmental contamination is an issue, SBA requires a "No Further Action" letter from the environmental consultant or Regulatory Agency.

### **Interim Loan:**

- If the project requires the construction of a building, the Bank will be responsible for the construction risk and the 6BCC/SBA 504 loan will be permanent takeout financing.
- The Bank's interim construction loan should be set up for the construction period only. New documents should be prepared with the new repayment plan for the permanent financing or the existing documents may be modified and extended for the new term of the permanent loan.

### **Bank Commitment Letter**

- For 6BCC to receive an SBA approval of a 504 loan, the Bank's Commitment Letter (sample attached) must include the following:
  - Acknowledge 100% of the total eligible project cost
  - Commit to provide up to 50% of the total eligible project costs
  - State reason why the desired credit is not otherwise available, and
  - State if the Bank is willing to provide the interim financing

**Bank Required Documents at Closing of the Permanent 504 Loan:**

- The following documents are required from the Bank prior to the 6BCC/SBA 504 Loan closing:
  - Estoppel Letter (sample attached)
  - Interim Lender Letter (sample attached)
  - Third Party Lender Agreement (sample attached)

## EXAMPLE OF ESTOPPEL LETTER

Date

U. S. Small Business Administration and  
Six Bridges Capital Corporation  
200 South Commerce Street, Suite 400  
Little Rock, AR 72201

RE: Business Name ("SBC")  
Promissory Note, dated  
Loan Number - \$ ("Loan")  
SBA 504 Loan Number

Gentleman:

We hereby certify that we received the amount of \$ from SBA via the  
Colson Services Corporation and the balance on above referenced Note for the SBA has  
been reduced by said amount from \$ to \$ . There will be no further  
advances on this Note.

Sincerely,

## EXAMPLE OF INTERIM LENDER LETTER

Date

U. S. Small Business Administration and  
Six Bridges Capital Corporation  
200 South Commerce Street, Suite 400  
Little Rock, AR 72201

RE: Business Name ("SBC")  
Promissory Note dated  
Loan Number -\$ ("Loan")  
SBA 504 Loan Number

Gentleman:

I certify that the interim loan proceeds have been fully disbursed by Bank ("Lender") in reasonable compliance with the SBA Authorization for Debenture Guarantee ("SBA Authorization") shown above as governed by the 504 Loan Program.

The disbursement of the loan was done on the assurance that the net debenture proceeds (the portion of debenture proceeds that finance the project cost) will be applied to pay off or pay down the balance of the Loan, leaving a first balance of \$ on the date the debenture proceeds are received. Additionally, upon receipt of the net debenture proceeds via Colson Services Corporation, we will execute and deliver the original Estoppel Letter previously submitted unexecuted to your office.

To further induce the U. S. Small Business Administration to guarantee a debenture issued by Six Bridges Capital Corporation ("6BCC") in the amount of \$ , the proceeds of which will be loaned to the Borrower and to induce the 6BCC to make a subordinated loan, Lender certifies as follows:

- (1) The project located at , Arkansas/Tennessee/Mississippi/Texas has been completed in accordance with the final plans and specifications. The Lender has accepted the project as satisfactory and complete, and the project is occupied by the SBC.
- (2) To the knowledge of the Lender, there has been no adverse change since the date of the SBA Authorization in the financial condition, organization, operations, business prospects, fixed properties, or personnel of the SBC.
- (3) The Lender has reviewed the documentation provided by the Borrower to evidence the use of the Loan proceeds and have determined from such

documentation that the Loan proceeds have been used in accordance with the SBA Authorization referenced above.

- (4) The Lender has reviewed the Borrower's contribution into the Project and the amount specified in the SBA Authorization has been fully satisfied.

Sincerely,

### ACKNOWLEDGEMENT

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

On this day before me, a Notary Public, duly commissioned, qualified and acting within and for the State and County aforesaid, appeared in person \_\_\_\_\_, who stated that he was the \_\_\_\_\_ of \_\_\_\_\_ Bank, a corporation, and was duly authorized in his capacity to execute the foregoing instrument for and in the name and behalf of said corporation; and further stated that he had so signed, executed and delivered said instrument for the consideration, uses and purposes therein mentioned and set forth.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal this \_\_\_\_\_ day of \_\_\_\_\_, 2006.

Notary Public \_\_\_\_\_ My Commission Expires: \_\_\_\_\_

## **THIRD PARTY LENDER AGREEMENT**

The THIRD PARTY LENDER AGREEMENT, dated as of the date set forth below, by and between \_\_\_\_\_ Bank, whose address is \_\_\_\_\_ (the "Third Party Lender") and Six Bridges Capital Corporation, whose address is 200 South Commerce Street, Suite 400, Little Rock, Arkansas 72201 (the "6BCC").

### **RECITALS**

(the "Borrower") is the owner of the real estate and other collateral described on the attached Exhibit "A" (the Collateral"). The Third Party Lender has made a loan in the original principal amount of \_\_\_\_\_ (the "Third Party Lender Loan"), which has been fully advanced. The Third Party Lender Loan is secured by, among other things, a first lien mortgage dated \_\_\_\_\_ and recorded \_\_\_\_\_, as Document No. \_\_\_\_\_ in the land records for \_\_\_\_\_ County, Arkansas/Tennessee/Mississippi/Texas, (together with any modification, extensions or amendments thereof) (the "Third Party Lender Mortgage"), which encumbers the real estate and improvements described on Exhibit "A", attached hereto and made a part hereof. Borrower is current in performing the obligation imposed by the Third Party Lender Loan.

6BCC has agreed to make a loan in the amount of \_\_\_\_\_ (the "504 Loan") to the Borrower. The 504 Loan will be secured by, among other things, a mortgage ("the 504 Mortgage") to be recorded where the Third Party Lender Mortgage is recorded.

### **AGREEMENT**

NOW, THEREFORE, for and in consideration of the foregoing recitals, the mutual agreements set forth below and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Third Party Lender agrees as follows:

1. **Balance of the Third Party Lender Loan.** Following the making of the 504 Loan, the Third Party Lender will receive \_\_\_\_\_ from 6BCC, which the Third Party Lender will apply to reduce the principal balance of the Third Party Lender Loan to an amount which will not exceed \_\_\_\_\_ Dollars (\$ \_\_\_\_\_), and the Third Party Lender shall record any partial release or satisfaction of the Third Party Lender's lien(s) as may be requested by 6BCC.
2. **Subordination of Future Advances and Default Charges.** Except for advances made for reasonable costs of collection, maintenance and protection of the Third Party Lender's lien(s), the Third Party Lender hereby subordinates to the 504 Loan and the lien(s) securing the 504 Loan (a) any sum advanced to the Borrower by the Third party Lender after the

date of this Agreement and (b) any prepayment penalties, late fees, and increased default interest in connection with the Third Party Lender Loan.

- 3. Compliance with 504 Loan Program Requirements.** The Third Party Lender confirms that the note and all other documents evidencing, securing or executed in connection with the Third Party Lender Loan (a) evidence a loan that does not exceed the principal amount permitted by the Authorization for Debenture Guarantee (**SBA 504 Loan**) issued by the U. S. Small Business Administration (“**SBA**”) to 6BCC to assist Borrower, (b) have no open-ended features and allow only future advances for the reasonable costs of collection, maintenance and protection of the Third Party Lender’s lien thereunder, (c) are not cross-collateralized with any other financing now or hereafter to be provided by Third Party Lender, (d) have no early call features including, without limitation, any cross-default provisions, (e) are not payable on demand unless the Third Party Lender Loan is in default (f) have a term of at least, and do not require a balloon payment prior to, ten years for a 20-year 504 loan or seven years for a 10-year 504 loan, (g) have a reasonable interest rate that does not, and will not, exceed the maximum interest rate for a Third Party Loan as published by SBA, (h) do not establish a preference in favor of the Third Party Lender as compared to 6BCC or SBA other than the Third Party Lender’s senior lien position; and (i) do not require the guaranty of any person or entity that has not guaranteed the SBA 504 Loan. **THE THIRD PARTY LENDER AGREES THAT IF ANY TERM OR PROVISION IN ITS PROMISSORY NOTE OR ANY OTHER DOCUMENTS EVIDENCING SECURING OR EXECUTED IN CONNECTION WITH THE TERM THIRD PARTY LENDER LOAN DOES NOT COMPLY WITH THESE REQUIREMENTS, IT HEREBY WAIVES, AND AGREES NOT TO ENFORCE ANY SUCH TERM OR PROVISION.**
- 4. Waiver of Enforcement of Covenant Not to Encumber the Collateral.** If the Third Party Lender Mortgage or any document executed in connection with the Third Party Lender Loan contains any provision prohibiting the Borrower from further encumbering the Collateral, the Third Party Lender waives its right to enforce any such provision as it might apply to the lien arising from the 504 Mortgage securing or any other document securing or evidencing the 504 Loan.
- 5. Notice of Default Under the Third Party Lender Loan.** If any default, event of default or delinquency, upon which the Third Party Lender intends to take action, occurs under the Third Party Lender Mortgage or any document executed in connection with the Third Party Lender Loan then the Third Party Lender agrees to give 6BCC and the U. S. Small Business Administration (“the **SBA**”) written notice of such default, event of default or delinquency and the opportunity to cure or to purchase the

Third Party Lender's note and the Third Party Mortgage prior to foreclosure. Such notice must be given within thirty (30) days after the default, event of default or delinquency upon which the Third Party Lender intends to take action and at least sixty (60) days prior to the date of any proposed sale and the Third Party Lender will not sell all of any portion of the Collateral without giving 6BCC and the SBA such notice. Notice under this Agreement shall be deemed to have been given when sent by certified or registered mail, return receipt requested, addressed, as the case may be, to the 6BCC at 200 South Commerce Street, Suite 400, Little Rock, Arkansas, 72201, ATTN: Servicing, and to the SBA at 2120 Riverfront Drive, Suite 100, Little Rock, Arkansas, 72202-1747, ATTN: District Counsel.

6. **Successors and Assigns.** This Agreement shall inure to the benefit of and bind the respective parties to this Agreement and their successors and assigns.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 200 .

THIRD PARTY LENDER:	6BCC:
BANK	SIX BRIDGES CAPITAL CORPORATION,
By: _____	an Arkansas non-profit Corporation
Its: _____	By: _____
(Title)	

**ACKNOWLEDGEMENTS**

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

Before me, a Notary Public in and for the County and State aforesaid, duly qualified and acting, personally appeared \_\_\_\_\_, who stated that he/she was the \_\_\_\_\_ of \_\_\_\_\_ Bank, and that he/she had executed the foregoing instrument for the consideration, uses and purposed therein mentioned and set forth. WITNESS my hand and official seal this \_\_\_\_\_ day of \_\_\_\_\_, 200 .

My Commission Expires:

\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

Before me, a Notary Public in and for the County and State aforesaid, duly qualified and acting, personally appeared \_\_\_\_\_, who stated that he/she was the \_\_\_\_\_ of Six Bridges Capital Corporation, an Arkansas non-profit Corporation, and that he had executed the foregoing instrument for the consideration, uses and purposes therein mentioned and set forth.

WITNESS my hand and official seal this \_\_\_\_\_ day of \_\_\_\_\_, 200 .

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_

Notary Public

ASSIGNMENT TO SBA

6BCC hereby assigns this Third Party Lender Agreement to SBA.

SIX BRIDGES CAPITAL CORPORATION  
An Arkansas non-profit Corporation

By: \_\_\_\_\_  
(Name and Title)

ACKNOWLEDGEMENT

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

Before me, a Notary Public in and for the County and State aforesaid, duly qualified and acting, personally appeared \_\_\_\_\_, who state that he was the \_\_\_\_\_ of Six Bridges Capital Corporation, an Arkansas non-profit Corporation, and that he had executed the foregoing instrument for consideration, uses and purposes therein mentioned and set forth.

WITNESS my hand and official seat this \_\_\_\_\_ day of \_\_\_\_\_, 200 .

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_

Notary Public

## Sample Bank Commitment Letter for an SBA 504 Loan

Date

Principal's Name  
Company Name  
Address  
City, State Zip

Dear :

We are in receipt of your loan request for \$ to acquire the located at . After reviewing your financial statements and condition, the collateral supporting your request, and in accordance with our lending policies and regulations, we regret that we are unable to grant your request for funding 90%-100% of project cost for 20 years at this time. We are, however, pleased to offer the following proposal:

**BORROWER:**

**ADDRESS:**

**MAXIMUM AMT  
OF LOAN:**

50% of project cost up to \$

**TERMS:**

The proposed rate of interest shall be set at above New York Prime as stated in the Wall Street Journal at the time of closing. The rate shall be adjusted annually. Amortized payments to cover principal and interest shall be due and payable on or before the first day of each and every month for consecutive months on the first day of the month next succeeding the closing.

**COLLATERAL:**

This proposed loan shall be secured by a first mortgage/UCC lien in the amount of \$ on the land, building and furniture, fixtures and equipment acquired at . The mortgage shall not be subject to any prior liens.

**SUBORDINATED  
MORTGAGES:**

The Borrower shall obtain a subordinated mortgage financing commitment totaling \$ \_\_\_\_\_ from the SBA and Six Bridges Capital Corporation. Said financing shall be for a period of 20 years.

**EQUITY  
REQUIREMENT:**

The Borrower shall provide an equity contribution in the amount of \$ \_\_\_\_\_ in the form of cash to be used in project. The company's equity injection will be the first money spent in the project.

In addition to the above, the \_\_\_\_\_ Bank is willing to fund interim financing in an amount not to exceed \$ \_\_\_\_\_ at a rate of \_\_\_\_\_ % above New York Prime for \_\_\_\_\_ months provided the Borrower submits satisfactory evidence and assignment of subordinate commitments from Six Bridges Capital Corporation totaling \$ \_\_\_\_\_.

This letter does not detail all terms and conditions of this commitment. Other terms and conditions deemed appropriate by \_\_\_\_\_ Bank may be added to this proposal prior to funding.

Very truly yours,

## **EXCERPT FROM 504 LOAN AUTHORIZATION FOR THIRD PARTY LENDER AGREEMENT REQUIREMENTS**

The Third Party Lender's (Bank) note and loan documents must not:

- Allow future advances except advances made for the reasonable costs of collection, maintenance, and protection of the Third Party Lender's lien;
- Be cross-collateralized with other financing provided by Third Party Lender;
- Have an early call feature;
- Be payable on demand unless the Third Party Lender's note is in default;
- Have a term less than, or require a balloon payment prior to, ten years.  
(This is for a 20 year debenture. If the 504 loan has a maturity of 10 years, the Lender's loan must have a term of at least 7 years.)

At, or prior to 504 Loan Closing, Third Party Lender (Bank) must execute a Third Party Lender Agreement that:

- Confirms that the Third Party Lender Loan has been fully advanced;
- Confirms that the Third Party Lender note and loan documents comply with paragraph above, or waives it's right to enforce any provisions in the note and loan documents that do not comply with these SBA requirements;
- Subordinates any prepayment penalties, late fees, and increased default interest to the 6BCC/SBA lien. Any advances made for the reasonable costs of collection, maintenance, and protection of the Third Party Lender's lien need not be subordinated;
- Waives as to the 6BCC/SBA lien any provisions in its lien instruments prohibiting further encumbrances; and
- Third Party Lender will provide written notice to 6BCC and SBA of default within 30 days of any delinquency upon which Third Party Lender intends to take action, and 60 days notice prior to foreclosure.