



Date: August 13, 2014

To: Certified Development Companies

From: Frank Keane, DCF LLC Fiscal Agent

Subject: August 2014 SBA 504 Debenture Offering

On August 13, 2014, 369 twenty-year debentures totaling \$263,440,000 will be funded through the settlement of certificates guaranteed by SBA. Below are the August 8 debenture pricing details:

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
2014-20H (08/08/14)	2.46%	+15bps	.27ps	2.88%	.42bps
2014-20G (07/10/14)	2.51%	+11bps	.25bps	2.87%	.36bps
Change	-.05bps	+.04bps	+.02bps	+.01bps	+.06bps

- The **September** offering will consist of *20-year and 10-year debentures*.
- The **Cutoff date** to submit loans to the CSA for this offering is **Thursday, August 28**.
- A **request to remove a submitted loan** from a financing must be made through the CSA by close of business **Monday, September 8**. In advance of that all CDCs are required to determine “no adverse change” for each loan before submitting it to SBA.ⁱ
- **Pricing and pooling date** is **Thursday, September 11**, on which day the debenture interest rates will be set and the pool legally formed and closed. Loans may not be pulled from the financing after the debenture interest rate has been set and the pool legally formed.
- The debentures will be funded on **Wednesday, September 17**

“**The Trend Continues**” – continues to be the header for these comments as the bond market is moving sideways. Even a better than expected 2Q14 GDP report of +4.0% couldn’t shake participants from focusing on weak, deflationary European growth and geo-political risks that now include Iraq along with Ukraine, Gaza and Syria. Since peaking at 3.62% for our September 2013 debentures we have seen rates decline 0.74 bps, with many analysts still predicting higher rates, though with less conviction. Fed speakers have cautioned about some markets “appearing to be stretched” and the European Central Bank is offering banks funding at low rates in hopes of encouraging lending. As low as US Treasury rates appear, the ten-year note is still cheap compared to German bunds, currently trading at 1.10% and there is still string global demand for assets amid the confusion.

ⁱ Per SOP 50-10(5)(F), page 312, subparagraph C.6.III.A.3., “CDCs must issue an opinion that to the best of its knowledge there has been no unremedied substantial adverse change in the Borrower's (or Operating Company's) ability to repay the 504 loan since its submission of the loan application to SBA (“finding”). For all 504 loans except ALP and PCLP, CDCs must provide its finding to the SLPC along with copies of the financial statements current within 120 days supporting that finding. The CDC's finding of no adverse change must be made no more than 14 calendar days prior to submission to the SLPC at the time the CDC is requesting that SLPC transmit the file to District Counsel for debenture closing. The SLPC either will notify the CDC of its approval or, if SBA disagrees with the CDC's determination of no adverse change, the debenture will not close until SBA has been satisfied that any adverse change has been remedied. ALP and PCLP CDCs must make a finding of no unremedied



substantial adverse change 14 calendar days prior to submission of the closing package to District Counsel and retain the finding and copies of the financial statements on which they relied in' their files. If the debenture closing is not consummated in the month following the finding, all CDCs must make and submit (except PCLP and ALP CDCs which must retain the finding in the file) a new finding of No Adverse Change and request for transmission of the file including SLPC's approval of the new finding to District Counsel."