Development Company Finance LLC

Date: September 17, 2015

To: All Certified Development Companies

From: Frank Keane, DCF LLC Fiscal Agent

Subject September 2015 504 Debentures

On September 16, 2015, 469 twenty-year debentures totaling $301,921,000 and 37 ten-year debentures totaling $12,087,000 were funded through the settlement of certificates guaranteed by SBA. Below are the September 10, 2015 debenture pricing details:

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
2015-20I (09/10/15)	2.21%	+1 bps	60bps	2.82%	61bps
2015-20H (10/06/15)	2.23%	+ 9 bps	50bps	2.82%	59bps
Change	- 2 bps	- 8 bps	+10 bps	-0- bps	+ 2 bps

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
2015-10E (09/10/15)	1.54%	+ 5 bps	+ 12bps	1.71%	17 bps
2015-10D (07/09/15)	1.54%	+ 14bps	+ 12bps	1.80%	26 bps
Change	-0- bps	- 9 bps	-0- bps	- 9 bps	- 9 bps

- The **October** offering will consist of *20-year debentures.*
- The ***Cutoff date*** to submit loans to the CSA for this offering is **Thursday, September 24.**
- A ***request to remove a submitted loan*** from a financing must be made through the CSA by close of business **Monday, October 5**. In advance of that all CDCs are required to determine "no adverse change" for each loan before submitting it to SBA.[1]
- ***Pricing and pooling date*** is **Thursday, October 8**, 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, October 14**

Fed liftoff? – There is not much else to focus on this week other than the Federal Open Market Committee meeting that ends Thursday, September 17, 2015. Economists and traders are equally split on whether or not the Fed will raise rates at the conclusion of their meeting which will be followed by a press conference with Chairwoman Yellen.

The rates market has eased a bit since our pricing date (CT-10 trading at 2.28% vs. 2.21%) and short-term rates, like the two-year Treasury has settled at 0.80%, its highest level of the year. This is defensive posturing but the Committee has been consistent in stating it expects no more than one rate

[1] Per SOP 50-10 5(H), page 307, 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."

hike this year and for the subsequent path of hikes to be gradual. This normalization of policy, when it occurs, will represent the first increase in rates since 2006 and should mostly affect spread product as evidenced by our pricing spread to swaps widening 10 bps month over month. The Treasury curve is prepared for a rate increase and should not sell off much as it still represents attractive value compared to other sovereign issuers and there is strong demand for global assets.