Development Company Finance LLC

Date: April 15, 2015

To: Certified Development Companies

From: Frank Keane, DCF LLC Fiscal Agent

Subject: April SBA 504 Debenture Offering

On April 15, 468 twenty-year debentures totaling $338,693,000 will be funded through the settlement of certificates guaranteed by SBA. Below are the April 9 debenture pricing details:

Sale/Sale Comparison	Treasury	Swap Spread	Spread	Rate	T plus
2015-20D (4/09/2015)	1.92%	+ 9bps	50bps	2.51%	59bps
2015-20C (3/12/2015)	2.12%	+ 12bps	48bps	2.72%	60bps
Change	- 20 bps	- 3 bps	+2 bps	- 21 bps	- 1 bps

- The **May** offering will consist of *20-year and 10-year debentures*.
- The ***Cutoff date*** to submit loans to the CSA for this offering is **Thursday, April 23**.
- A ***request to remove a submitted loan*** from a financing must be made through the CSA by close of business **Monday, May 4.** 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, May 7**, 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, May 13**.
- **Fed Policy vs. Reality** – last month's commentary asked if we were headed for higher rates and the market's answer has been no, at least not right away. All it took was an unexpectedly low Non-Farm Payroll report that added to weak wage growth, low inflation, and a fragile world economy as reasons for the Fed to be more deliberate about raising rates. Mention was also made

[1] Per SOP 50-10(5)G, page 303, 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."

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of how cheap our domestic yields are compared to European government bonds and a recent issue from Switzerland emphasized that quality when they sold a ten-year bond at negative 0.055%. Essentially, investors are paying the Swiss government to hold their money at less than cost for ten-years. Barring a jolt from inflation, the probability of a rate hike in June is diminished with focus now settling on September or December. When the Fed does take action, the impact will be mostly felt in shorter-dated maturities as global investors will continue to find value in longer – dated, dollar denominated securities because of their relative value. So, while we await that change in monetary policy, borrowers do benefit from these elevated market levels as this month’s debentures were priced 25 bps lower than our twelve-month average.