Development Company Finance LLC

Date: March 11, 2015

To: All Certified Development Companies

From: Frank Keane, DCF LLC Fiscal Agent

Subject: March 2015 SBA 504 Debentures

On March 11, 2015 380 twenty-year debentures totaling $280,740,000 and 40 ten-year debentures totaling $16,574,000 will be funded through the settlement of certificates guaranteed by SBA. Below are the March 5 debenture pricing details:

Sale/Sale Comparison	**Treasury**	**Swap Spread**	**Spread**	**Rate**	**T plus**
2015-20C (03/05/15)	2.12%	+12bps	48bps	2.72%	60bps
2015-20B (02/05/15)	1.81%	+ 13bps	52bps	2.46%	65bps
Change	+ 31bps	- 1 bps	- 4bps	+ 26bps	-5bps

Sale/Sale Comparison	**Treasury**	**Swap Spread**	**Spread**	**Rate**	**T plus**
2015-10B (03/05/15)	1.58%	+ 15bps	+ 15bps	1.88%	30 bps
2015-10A (01/08/15)	1.49%	+ 14bps	+ 25bps	1.89%	40 bps
Change	+ 9bps	+ 1 bps	-10 bps	- 1bps	- 10bps

- The **April** offering will consist of *20-year debentures.*
- The ***Cutoff date*** to submit loans to the CSA for this offering is **Thursday, March 26.**
- A ***request to remove a submitted loan*** from a financing must be made through the CSA by close of business **Monday, April 6**. 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, April 9**, 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, April 15**

Headed for higher rates? - After a three month rally in rates fueled by short-covering and uncertainty about the economy, we have now seen the strongest twelve-months of job gains in two decades and the US dollar is trading at its highest level vs. the euro in twelve years. Due to concern about the negative effect that a strong dollar has on trade, coupled with the prospect of the Federal

[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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Reserve hiking rates sooner than expected, the year-to-date gains of the S&P 500 were wiped out yesterday.

We saw a modest improvement in our twenty-year pricing spread this month and a dramatic improvement in the ten-year spread because investors are more comfortable buying shorter-dated maturities in a market that is poised for higher rates. Even if the Fed ends its easy money policy this summer, benchmark Treasuries will continue to attract global buyers because of their relative value to European sovereign debt which is experiencing its own version of Quantitative Easing.

By comparison, at Tuesday's close of trading ten-year Treasuries at 2.14% yielded 185 bps more than German bunds. With the European Central Bank committed to spending €60 billion per month to purchase sovereign and asset-backed bonds for perhaps as long as eighteen months Treasuries will remain attractive, especially at higher rate levels. Such demand could soften any jolts resulting from a tighter Fed policy.