



**Development Company Finance LLC**

**Date:** July 14, 2011  
**To:** Certified Development Companies  
**From:** Steve Van Order, DCFLLC Fiscal Agent  
**Subject:** July 2011 SBA 504 Debenture Offering

On July 13, 2011, 474 twenty-year debentures totaling \$252,147,000 and 60 ten-year debentures totaling \$27,080,000 were funded through the sale of certificates guaranteed by SBA. Below are debenture pricing details:

<b>Sale/Sale Comparison</b>	<b>Treasury</b>	<b>Swap Spread</b>	<b>Spread</b>	<b>Rate</b>	<b>T plus</b>
<b>2011-20G (07/05/11)</b>	3.142%	+12.00 BP	47.80 BP	3.74%	59.8 BP
<b>2011-20F (06/07/11)</b>	3.040%	+12.75 BP	50.25 BP	3.67%	63.0 BP
<b>Change</b>	+10.2 BP	-0.75 BP	-2.45 BP	+7 BP	-3.2 BP

<b>Sale/Sale Comparison</b>	<b>Treasury</b>	<b>Swap Spread</b>	<b>Spread</b>	<b>Rate</b>	<b>T plus</b>
<b>2011-10D (07/05/11)</b>	1.722%	+27.75 BP	25.05 BP	2.25%	52.8 BP
<b>2011-10C (05/03/11)</b>	1.955%	+18.00 BP	20.50 BP	2.34%	38.5 BP
<b>Change</b>	-23.3 BP	+9.75 BP	+4.55 BP	-9 BP	+14.3 BP

- The August offering will consist of *20-year debentures*.
- The *cutoff date* to submit loans to Colson for this offering is **Tuesday, July 26**.
- A *request to remove a submitted loan* from a financing must be made through Colson Services by close of business **Thursday, August 4**. In advance of that all CDCs are required to determine “no adverse change” for each loan before submitting it to SBA.<sup>1</sup>
- *Pricing and pooling date* is **Tuesday, August 9**, on which 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 closed.
- The debentures will be funded on **Wednesday, August 17**.

August could be a nerve-wracking time for financial markets and interest rates could be volatile if the US debt ceiling has not been raised. As such, there will be a higher than usual chance that the month-over-month change in the debenture interest rate will be bigger than experienced in recent

<sup>1</sup> Per NADCO General Counsel Jan Garlitz: SOP 50-10(5)(C), page 331, subparagraph C.6.III.A.3., all CDCs must do a "no adverse change" determination no earlier than 14 calendar days before the file is shipped by the SLPC to the SBA District Counsel and the CDC submits its closing package to that SBA District Counsel. Non-ALP CDCs must submit their determination with the financial statements to the SLPC and receive SBA's concurrence. ALP CDCs and PCLP CDCs must document their determination with the financial statements in the Loan file.

months. That higher chance for interest rate volatility does not imply with it a strictly one-way interest rate rise. The intensified crisis in the Eurozone and the poor June US employment report recently pushed the benchmark ten-year US treasury yield toward the lower end of its summer trading range which has been from 2.85% to 3.22%. There are strong countervailing forces buffeting financial markets from day-to-day, even hour-to-hour, and they are likely to remain in place. Summer is usually a time of low bond market volatility but so far not this year.