

## 504 APPLICATION CHECKLIST

**Thank you for your interest in the SBA 504 Loan Program!** Please include these items when submitting your 504 loan packet to DCDC for review. This checklist is not all-inclusive but are the documents normally required to process a SBA 504 loan. We cannot process your loan application until we have all of the required information. If you need assistance in completing any portion of the requested information, please do not hesitate to call so that we may assist you. PLEASE RETURN THIS CHECKLIST WITH YOUR COMPLETED APPLICATION PACKET.

### Check if Enclosed

- \_\_\_ 1.\* **DAKOTA CDC DISCLOSURE STATEMENT** (signed & dated copy)
- \_\_\_ 2.\* **504 LOAN APPLICATION & BUSINESS PROFILE** (6 pages) Please attach all supporting documents for the project costs-totals should match the total project (i.e. Building – contractor bids & purchase agreements Equipment – vendor quotes and/or invoices).
- \_\_\_ 3. Copy of the participating **LENDER'S CREDIT PRESENTATION** or write-up (if available)
- \_\_\_ 4.\* **PERSONAL HISTORY STATEMENT (SBA FORM 912)** for each key manager, officer & director and each proprietor, partner & stockholder with 20% or more ownership of the borrower and/or operating company
- \_\_\_ 5.\* **PERSONAL FINANCIAL STATEMENT (SBA FORM 413) & 2 YEARS PERSONAL FEDERAL INCOME TAX RETURNS**, on each proprietor, partner and stockholder with 20% or more ownership of the borrower and/or operating company. Must be current within 90 days. All Tax returns submitted must have the borrower's signature & date on the 1<sup>st</sup> page.
- \_\_\_ 6. **RESUMES** on principals and key managers involved in day-to-day management
- \_\_\_ 7.\* **HISTORICAL BALANCE SHEET & INCOME STATEMENT AND FEDERAL INCOME TAX RETURNS** for the previous 2 years for the existing business (if being purchased please obtain from the seller). If acquiring a business, a proforma/opening balance sheet will also be required. All Tax returns submitted must have the Borrowers signature & date on the 1<sup>st</sup> page.
- \_\_\_ 8.\* **CURRENT BALANCE SHEET AND INCOME STATEMENT** dated within 90 days of the application together with an **AGING OF THE ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE** list for the existing business.
- \_\_\_ 9.\* **PROJECTED INCOME STATEMENTS** of the operating company for the first 2 years after the loan. Must include a written description of the assumptions for the existing business. (Calculating form available on our website.)
- \_\_\_ 10.\* **If a new business (operating for 2 years or less)**-along with 2 years of income projections & assumptions SBA requires:
- \_\_\_ A detailed **BUSINESS PLAN**
  - \_\_\_ A **MONTHLY CASH FLOW ANALYSIS** for the first 12 months of operation
  - \_\_\_ A **PROFORMA BALANCESHEET** with a description of assumptions.
  - \_\_\_ Copies of **TAX RETURNS AND INCOME & BALANCE SHEETS** for all years of operation
- \*Please note: all tax returns must be signed and dated by borrower on 1<sup>st</sup> page.
- \_\_\_ 11.\* **AFFILIATE FINANCIAL STATEMENTS** (*For all businesses in which any owner of operating company, The borrowing entity or any guarantor maintain 20% or more ownership or control*)
- \_\_\_ Two years fiscal year-end financial statements and/or tax returns
  - \_\_\_ Current financial statement within 90 days
  - \_\_\_ Ownership list for all affiliates
- \_\_\_ 12.\* **FRANCHISE INFORMATION:** Franchise Agreement **OR** Certificate of No Change Form (if on SBA Registry)
- \_\_\_ 13.\* **COPY OF LEASE** (s) (existing or proposed) (*see lease info on page 2 of this checklist*)
- \_\_\_ 14. **INDEPENDENT APPRAISAL** for project real estate and/or for any used equipment being purchased under the 504 Loan. If bringing land equity into the project, an "as is" value must be included. **Appraisal must also be addressed to Dakota CDC/SBA.**

\* Indicates the item(s) requires signatures and must be dated.

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- \_\_\_ 15.\* **ENVIRONMENTAL QUESTIONNAIRE** completed and signed by the Lender and Seller of the property. Please be sure to answer & detail ALL the questions. *If a Phase I, II, III audit is conducted SBA/Dakota CDC must receive a reliance letter signed by the engineer. Please contact DCDC for an example reliance letter.*
- \_\_\_ 16.\* **PART C (SBA FORM 1244)** – Applicant Notifications must be answered (top portion of last page) and 1244 must be signed and dated by the borrowing entity and by all guarantors. Please note the Operating Company will be a guarantor on the 504 loan and must sign & date.
- \_\_\_ 17. **BANK LETTER** completed by participating bank (example letter provided)
- \_\_\_ 18.\* **BOARD RESOLUTION OR LLC RESOLUTION OR CERTIFICATE AS TO PARTNERS** (completed by borrowing & operating company)
- \_\_\_ Submit copy of Articles of Incorporation w/ Amendments & By-laws.
  - \_\_\_ Submit copy of Articles of Organization & Operating Agreement (LLC)
  - \_\_\_ Submit copy of Partnership Agreement
- \_\_\_ 19.\* **CERTIFICATE REGARDING DEBARMENT** form signed
- \_\_\_ 20.\* **IRS FORM 4506-T FORM** completed by borrower and operating company and each individual with 20% or more ownership of the borrower and/or operating company. If loan involves the purchase of a business, the seller must also sign to verify any financial information obtained.
- \_\_\_ 21.\* Signed **AUTHORIZATION TO RELEASE CREDIT INFORMATION** (for each individual with 20% or more ownership of the borrower and/or operating company)
- \_\_\_ 22. To comply with the U.S. Patriot Act, a copy of the **OWNERS DRIVERS LICENSE** is required on each owner 20% or more and for each guarantor

*\* Indicates the item(s) requires signatures and must be dated.*

### VERY IMPORTANT REMINDERS:

**TITLE INSURANCE:** Postponements in the issuance of the Title Policy cause delays in the funding of the SBA 504 Loan. Dakota CDC's certified SBA attorney is: **Dean A Rindy, Attorney at Law, phone #701-271-8500, [drindy@rindylaw.com](mailto:drindy@rindylaw.com)**. Mr. Rindy is licensed to issue policies in both ND & MN and is an expert in SBA 504 requirements.

**To avoid reissue charges to the borrower,** when ordering Title Insurance, the Bank should inform the Title Company that part of the Bank's Interim financing will be endorsed over to Dakota CDC. Please request the interim financing insurance coverage for the **Total Debenture Amount** for SBA's portion of the 504 loan (approximately 110% of the interim financing). (This should be completed without any additional insurance charges; however there may be additional search charges.)

Per changes in SBA regulation and effective immediately, the cost for Title Insurance should be included in the total project cost as a professional fee in the total project cost and **paid from the Banks proceeds**.

**504 LOAN LEASE INFO:** *(Please contact DCDC for an example lease if needed).*

A Copy of executed lease will be required with a **term as long as or longer than the 504 maturity date**. The lease must have language (listed below) that is subordinate to the DCDC's mortgage and language (listed below) concerning lease payments from the Operating Company. If the lease does not contain this Language an Amendment to the Lease can be provided by DCDC and signed at closing to attach to the lease.

**Subordination:** This Lease and all rights of Tenant hereunder shall be subject and subordinate to the lien of any and all mortgages that may now or hereafter affect the Leased Premises or any part thereof, and to any or all renewals, modifications or extensions of any such mortgages. Tenant shall, on demand, execute, acknowledge and deliver to Landlord, without expense to Landlord, any and all instruments that may be necessary or property to subordinate this Lease and all rights therein to the lien of any such mortgage or mortgages, and each renewal, modification or extension, and if Tenant shall fail at any time to execute, acknowledge and deliver any such subordination instrument, Landlord, in addition to any other remedies available in consequence thereof, may execute, acknowledge and deliver the same as Tenant's attorney in fact and in Tenant's name. Tenant hereby irrevocably makes, constitutes and appoints Landlord, its successors and assigns, its attorney in fact for the purpose.

**Lease payments from the Operating Company:** Rent paid by the Operating Company ("OC") must be the same as the debt service on the Third Party Loan and the SBA 504 loan. The rent can also include additional amounts to cover the Eligible Passive Company's expenses of holding the property, if those expenses are not paid directly by the OC. A maintenance/repair and replacement reserve can be funded by the OC, if the OC is not responsible for those cost in the lease.