



The items below must be received to fulfill SBA requirements. Please send them to us as soon as possible to avoid any delays in processing or settling the 504 loan. Please review carefully, as many items have recently changed. "BFG" refers to Business Finance Group Inc. and "SBA" refers to the US Small Business Administration.

APPRAISAL

- SBA Approval
 - The appraisal must be approved by BFG and SBA prior to 504 loan settlement.
- Appraisal Client
 - The appraisal engagement letter **MUST** list the "appraisal client" as your institution **AND** the U.S. Small Business Administration, **AND** Business Finance Group, Inc. Please use our address for both SBA and BFG copies – 3930 Pender Drive, Suite 300, Fairfax, VA 22030.
 - If there is an existing appraisal that is being used, the appraisal must be extended to BFG and SBA. If the appraiser will not agree to extend the existing appraisal, a new appraisal must be obtained at the Borrower's cost that names BFG and SBA as the client for the valuation.
 - SBA will not accept reliance letters in lieu of the appraisal being addressed properly.
- Appraiser Qualifications
 - The appraiser must be state-licensed for properties where the estimated value is under \$1,000,000 and state-certified when the estimated value is \$1,000,000 or more.
 - When the collateral is a special purpose property, the appraiser must be experienced in the particular industry.
- Type of Appraisal Report
 - The appraisal must be prepared in compliance with Uniform Standards of Professional Appraisal Practice (USPAP).
 - The appraisal must be either a *complete/self-contained* appraisal report or a *complete/summary* appraisal report.
- Valuation Method
 - If the collateral will be new construction **OR** substantial renovation of an existing building, the appraisal must establish an "as-complete" value.
 - After construction is completed, the lender must obtain a certification from the appraiser that construction was completed according to plans and specifications.
- Business Enterprise or Going Concern Value - Special Requirements
 - If the appraisal engagement letter asks the appraiser for a business enterprise or going concern value, the appraiser must allocate separate values to the individual components of the transaction including land, building, equipment and business ("goodwill", "business value" or "blue sky").
 - SBA will **NOT** include the contributed business value in determining whether the appraised value is sufficient collateral value.

ENVIRONMENTAL

- General Requirements
 - SBA requires an Environmental Investigation on **ALL** commercial property used as collateral for a 504 loan.
 - The Environmental Investigation must be reviewed and approved by BFG and SBA prior to 504 loan settlement.

- The type and depth of an Environmental Investigation varies with the risk of Contamination.
- All Transaction Screens, Phase I and Phase II Environmental Site Assessments (ESAs) must be performed by an Environmental Professional and be accompanied by the attached Reliance Letter.
- Steps to Environmental Due Diligence
 - **IMPORTANT** – BFG Loan Officers are available to assist with this.
 - If property is a condominium unit in a multi-unit complex, an Environmental Questionnaire and Records Search with Risk Assessment is acceptable unless the current or prior use of the condo is environmentally sensitive.
 - Compare the property's current and known prior uses to the **attached** NAICS code listing of environmentally sensitive industries.
 - If not on the list, an Environmental Questionnaire along with a Records Search with Risk Assessment is acceptable.
 - Records searches with risk assessments that meet SBA's requirements may be obtained from Environmental Data Resources, Inc.; US-Reports, Inc.; or other environmental consulting firms.
 - The Records Search and Risk Assessment must conclude that the Property is a "low risk" for contamination. Otherwise, a Phase I ESA is required.
 - If on the list, a Phase I ESA is required.
 - Transaction Screen
 - Must include the attached Reliance Letter
 - Must conclude that no further investigation is warranted.
 - Phase I Environmental Site Assessment
 - Must include the attached Reliance Letter
 - Must conclude that no further investigation is warranted.
 - Phase II Environmental Site Assessment
 - Must include the attached Reliance Letter
 - Must conclude that no further investigation is warranted.
- Recommendations of Environmental Professional
 - All recommendations of the Environmental Professional must be adhered to and documented in order to receive final SBA approval of the Environmental Investigation.
 - This includes "housekeeping measures".
- Contamination
 - If Contamination is present, contact your BFG Loan Officer for additional requirements.
- Gas Stations
 - Contact your BFG Loan Officer for a list of special requirements for gas station properties.

SURVEY

- The title insurance must be issued without exception for survey. The title company will determine the necessity for a survey and provide the survey requirements.

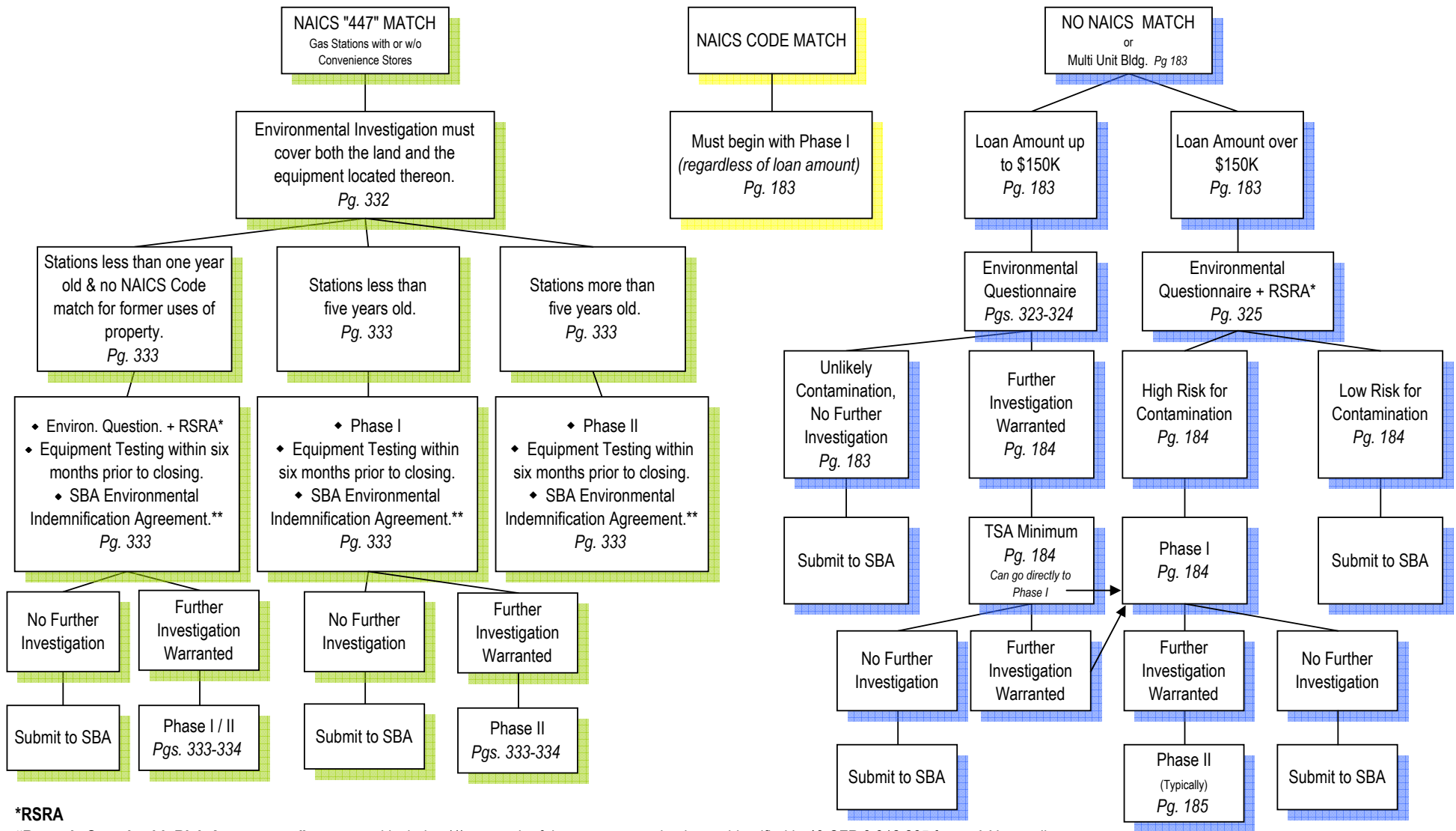
SBA FEE

- The SBA charges a 0.5% fee to the Lending Partner based on the Lender's permanent loan amount.
- This is due at the 504 loan closing, and we will request a check payable to Colson Services Corporation.
- You may pass this fee on to the Borrower. Permanent loan fees are an out-of-pocket cost to the borrower but interim financing costs can be included in the financing package.

STEPS OF ENVIRONMENTAL INVESTIGATION

According to SOP 50-10 (5) Effective Date: August 1, 2008

Lender Determines NAICS Code For Properties' Current And Known Prior Uses (Pg.183)



***RSRA**

"Records Search with Risk Assessment" means and includes (1) a search of the government databases identified in 40 CFR § 312.265 for an AAI compliant Phase I as well as a search of the historical use records (including reverse directories and fire insurance maps in cities where they are available) pertaining to the Property and Adjoining Properties; and (2) a risk assessment by an Environmental Professional based on the results of the records search as to whether the Property is either "high risk" or "low risk" for Contamination. SBA SOP 50-10 (5) pg. 325.

**Please see page 334 of SBA SOP 50-10 (5) for details of the exclusions for the SBA Environmental Indemnification Agreement.



APPENDIX 4**NAICS CODES OF ENVIRONMENTALLY SENSITIVE INDUSTRIES****How to determine if an industry is included on this list:**

A 3 digit NAICS code includes all industries beginning with those 3 digits.

A 4 digit NAICS code includes all industries beginning with those 4 digits.

A 5 digit NAICS code includes all industries beginning with those 5 digits.

A 6 digit NAICS code includes only that industry under that industrial code.

- 211 OIL & GAS EXTRACTION
- 212 MINING (EXCEPT OIL & GAS)
- 213 SUPPORT ACTIVITIES FOR MINING
- 237 HEAVY & CIVIL ENGINEERING CONSTRUCTION
- 311 FOOD MANUFACTURING
- 312 BEVERAGE & TOBACCO PRODUCT MANUFACTURING
- 313 TEXTILE MILLS
- 314 TEXTILE PRODUCT MILLS
- 315 APPAREL MANUFACTURING
- 316 LEATHER & ALLIED PRODUCT MANUFACTURING
- 321 WOOD PRODUCT MANUFACTURING
- 322 PAPER MANUFACTURING
- 323 PRINTING & RELATED SUPPORT ACTIVITIES
- 324 PETROLEUM & COAL PRODUCTS MANUFACTURING
- 325 CHEMICAL MANUFACTURING
- 326 PLASTICS & RUBBER PRODUCTS MANUFACTURING
- 327 NONMETALLIC MINERAL PRODUCTS MANUFACTURING
- 331 PRIMARY METAL MANUFACTURING
- 332 FABRICATED METAL PRODUCT MANUFACTURING
- 333 MACHINERY MANUFACTURING
- 334 COMPUTER & ELECTRONIC PRODUCT MANUFACTURING
- 335 ELECTRICAL EQUIPMENT, APPLIANCE & COMPONENT MANUFACTURING
- 336 TRANSPORTATION EQUIPMENT MANUFACTURING
- 337 FURNITURE & RELATED MANUFACTURING (*if finishing occurs on site*)
- 339 MISCELLANEOUS MANUFACTURING
- 42311 AUTOMOBILE & OTHER MOTOR VEHICLE MERCHANT WHOLESALERS (*if service bays present*)
- 42314 MOTOR VEHICLE PARTS (USED) MERCHANT WHOLESALERS
- 4235 METAL & MINERAL MERCHANT WHOLESALER
- 42393 RECYCLABLE MATERIAL MERCHANT WHOLESALER
- 4246 CHEMICAL & ALLIED PRODUCTS MERCHANT WHOLESALERS
- 4247 PETROLEUM & PETROLEUM PRODUCTS MERCHANT WHOLESALERS
- 441 MOTOR VEHICLE AND PARTS DEALERS (*if service bays present*)
- 447 GASOLINE STATIONS
- 45431 FUEL DEALERS
- 481 AIR TRANSPORTATION
- 482 RAIL TRANSPORTATION

486 PIPELINE TRANSPORTATION
53212 TRUCK, UTILITY TRAILER, AND RV (RECREATIONAL VEHICLE) RENTAL & LEASING
53241 CONSTRUCTION, TRANSPORTATION, MINING & FORESTRY MACHINERY & EQUIPMENT RENTAL & LEASING
53249 OTHER COMMERCIAL & INDUSTRIAL MACHINERY & EQUIPMENT RENTAL & LEASING
54138 TESTING LABORATORIES
56171 EXTERMINATING & PEST CONTROL
562 WASTE MANAGEMENT & REMEDIATION SERVICES
62149 OTHER OUTPATIENT CARE CENTERS
6215 MEDICAL & DIAGNOSTIC CENTERS
6221 GENERAL MEDICAL & SURGICAL HOSPITALS
71391 GOLF COURSES & COUNTRY CLUBS
71392 SKIING FACILITIES
71393 MARINAS
7212 RV (RECREATIONAL VEHICLES) PARKS & RECREATIONAL CAMPS
8111 AUTOMOTIVE REPAIR & MAINTENANCE
8112 ELECTRONIC & PRECISION EQUIPMENT REPAIR & MAINTENANCE
8113 COMMERCIAL & INDUSTRIAL MACHINERY & EQUIPMENT REPAIR & MAINTENANCE
8122 DEATH CARE SERVICES
8123 LAUNDRY & DRY CLEANING SERVICES (*if dry cleaning operations on-site*)
812921PHOTOFINISHING LABORATORIES

***A PHASE I SHOULD ALWAYS BE OBTAINED IF THE BUSINESS SELLS, SUPPLIES OR DISPENSES FUEL, GAS, HEATING OIL OR LIQUEFIED PETROLEUM (LP) GAS, EVEN IF THE NAICS CODE FOR THE BUSINESS IS NOT IDENTIFIED ON THIS LIST OF ENVIRONMENTALLY SENSITIVE INDUSTRIES ***

A COMPLETE LIST OF INDUSTRIES AND CORRESPONDING NAICS CODES IS AVAILABLE ONLINE AT <http://www.census.gov/epcd/naics02/naicod02.txt>

[THIS LETTER MUST BE COPIED ON THE LETTERHEAD OF ENVIRONMENTAL PROFESSIONAL OR THE ENVIRONMENTAL PROFESSIONAL'S COMPANY.]

THE SBA DOES NOT PERMIT ANY – REPEAT, ANY – CHANGES.]

RELIANCE LETTER

[Date]

To: [Lender's Name]
[Lender's Street Address]
[Lender's City/State/Zip Code] ("Lender")

Business Finance Group Inc.
3930 Pender Drive, Suite 300
Fairfax, VA 22030 ("Lender")

and

U.S Small Business Administration ("SBA")

RE: Borrower Name:
Project Address ("Property"):
Environmental Investigation Report Number(s):

Dear Lender and SBA:

[Name of Environmental Professional] ("Environmental Professional") meets the definition of an Environmental Professional as defined by 40 C.F.R. § 312.10(b) and has performed the following "Environmental Investigation(s)" (check all that apply):

- A Transaction Screen of the Property dated _____, conducted in accordance with ASTM International's most recent standard, currently ASTM E1528-06;
- A Phase 1 Environmental Site Assessment of the Property dated _____ conducted in accordance with ASTM International's most recent standard, currently ASTM E1527-05. In addition, the Environmental Professional has addressed the performance of the "additional inquiries" set forth at 40 C.F.R. § 312.22;
- A Phase II Environmental Site Assessment of the Property dated _____ conducted in accordance with generally-accepted industry standards of practice and

consisting of a scope of work that would be considered reasonable and sufficient to identify the presence, nature and extent of a Release.

Reliance by SBA and Lender. Environmental Professional (and Environmental Professional's firm, where applicable) understand(s) that the Property may serve as collateral for an SBA guaranteed loan, a condition for which is an Environmental Investigation of the Property by an Environmental Professional. Environmental Professional (and Environmental Professional's firm, where applicable) authorize(s) Lender and SBA to use and rely upon the Environmental Investigation. Further, Environmental Professional (and Environmental Professional's firm, where applicable) authorize(s) Lender and SBA to release a copy of the Environmental Investigation to the borrower for information purposes only.

Insurance Coverage. Environmental Professional (and Environmental Professional's firm, where applicable) certifies that he or she or the firm is covered by errors and omissions liability insurance with a minimum coverage of \$1,000,000 per claim (or occurrence), that the policy includes language that will provide coverage for Lender and SBA and that evidence of this insurance is attached. As to the Lender and SBA, Environmental Professional (and Environmental Professional's firm, where applicable) specifically waive(s) any dollar amount limitations on liability up to \$1,000,000 and further waives any right to indemnification by the Lender and SBA.

Impartiality. Environmental Professional certifies that (1) to the best of his or her knowledge, Environmental Professional is independent of and not a representative, nor an employee or affiliate of seller, borrower, operating company, or any person in which seller has an ownership interest; and (2) the Environmental Professional has not been unduly influenced by any person with regard to the preparation of the Environmental Investigation or the contents thereof.

Acknowledgment. The undersigned acknowledge(s) and agree(s) that intentionally falsifying or concealing any material fact with regard to the subject matter of this letter or the Environmental Investigations may, in addition to other penalties, result in prosecution under applicable laws including 18 U.S.C. § 1001.

Environmental Professional

Printed Name:

Title:

(Note: The Environmental Professional must always sign this letter above. If the Environmental Professional is employed or retained by an Environmental Firm, then an authorized representative of the firm must also sign below.)

Signature of authorized representative of firm

Printed Name & Title:

Name of Environmental Firm:

Enclosure: Evidence of Insurance