

LOAN AUTHORIZATION AND AGREEMENT (LA&A)

***A PROPERLY SIGNED DOCUMENT IS REQUIRED
PRIOR TO ANY DISBURSEMENT***

CAREFULLY READ THE LA&A:

This document describes the terms and conditions of your loan. It is your responsibility to comply with ALL the terms and conditions of your loan.

Contact your Case Manager immediately if you: discover any errors or omissions; or if you have any questions.

SIGNING THE LA&A:

All borrowers must sign the LA&A.

- Sign your name *exactly* as it appears on the LA&A. If typed incorrectly, you should sign with the correct spelling.
- If your middle initial appears on the signature line, sign with your middle initial.
- If a suffix appears on the signature line, such as Sr. or Jr., sign with your suffix.
- Do not sign as a Power of Attorney unless the information concerning the Power of Attorney (or Attorney-in-Fact) is printed on the signature lines of the LA&A.
- Corporate Signatories: Authorized representatives should sign the signature page, and affix the corporate seal if you have one.

*Your signature represents your agreement to comply
with the terms and conditions of the loan.*

RETURN THE LA&A TO SBA:

Mail the signed, original LA&A to SBA at the address below. You may keep the copy marked as "*Borrower's Copy*" for your records.

U.S. Small Business Administration
Processing and Disbursement Center
14925 Kingsport Road
Fort Worth, TX 76155

U.S. Small Business Administration

LOAN AUTHORIZATION AND AGREEMENT

Date: January 12, 2011

On the above date, this Administration (SBA) authorized (under Section 7(b) of the Small Business Act, as amended) a Loan (Loan Number DLB 3856686004) to THE CARROLLWOOD LAKES HOMEOWNERS ASSOCIATION, INC. (Borrower) of 890 WILLOW TREE CIRCLE # 1, CORDOVA, TN 38018 in the amount of Four Hundred Nine Thousand Two Hundred And 00/100 (\$409,200.00) Dollars upon the following conditions:

1. PAYMENT TERMS

- A. Interest will accrue at the rate of 3.000% per annum; installment payments, including principal and interest, of Two Thousand Four Hundred Seventy And 00/100 (\$2,470.00) Dollars monthly, will begin Five (5) months from the date of the promissory Note. The balance of principal and interest will be payable Eighteen (18) years and Five (5) months from the date of the promissory Note.
- B. Each payment will be applied first to interest accrued to the date of receipt of each payment, and the balance, if any, will be applied to principal.
- C. Each payment will be made when due even if at that time the full amount of the Loan has not yet been advanced or the authorized amount of the Loan has been reduced.
- D. Interest will accrue only on funds actually advanced from the date(s) of each advance.
- E. In the event Borrower includes additional principal (e.g., a unit owner's full assessment amount) with a monthly payment, SBA will, at the Borrower's request, modify the Loan payment amount for future payment to reflect the remaining principal balance and the remaining term of the Loan.

2. COLLATERAL

Borrower will provide the following collateral:

- A. Security Interest in all rights of Debtor to receive and collect proceeds arising pursuant to any and all special assessment and any other assessments, levied by Debtor to amortize and repay Debtor's loan from Secured Party and all accounts and/or general intangibles arising from such assessment(s).
- B. **SPECIAL ASSESSMENT** - The association's general membership will pass a special assessment, according to its governing documents. The assessment must specifically provide as follows:
 - (1) It will be in an amount sufficient to fully amortize this Loan in accordance with the "Payment Terms" as stated above.
 - (2) It will refer to and adopt all of the terms and conditions of this Loan Authorization and Agreement and provide that the proceeds of the special assessment will be used solely to amortize this Loan.
 - (3) It will be irrevocable until the SBA is paid in full.
 - (4) The proceeds of the assessment will be assigned by the association to SBA as collateral for this Loan.
- C. **ASSESSMENT RESOLUTION** - The association will pass a resolution which specifically refers to the provisions of the special assessment as stated in subparagraph B above. The resolution will further provide that the special



assessment was approved by a sufficient majority of the association's general membership at a meeting held for that purpose. A copy of this resolution, certified by the association's Secretary, must be submitted to SBA prior to any disbursement of this Loan.

- D. **ASSIGNMENT** - Borrower hereby assigns to SBA all of its rights, title, and interest in and to the proceeds of the special assessment described in subparagraph B above. Upon request by SBA, Borrower hereby agrees to execute and deliver to SBA such other instruments and to perform such other acts as SBA may reasonably deem necessary or proper to effect the purpose and intent of this provision.
- E. **ATTORNEYS OPINION** - Borrower will submit an opinion from an attorney who carries professional liability insurance, on a form acceptable to SBA, stating that the general membership of the association has approved a special assessment as required herein, and that the special assessment, the assignment of the special assessment, the assessment resolution, the note, the Loan Authorization and Agreement and all other documents executed by the association are valid and binding acts of the association.

3. REQUIREMENTS RELATIVE TO COLLATERAL

- A. Borrower will submit to SBA evidence of SBA's recorded lien position and of payment of appropriate fees prior to the disbursement of Loan funds in excess of \$14,000.00. Such evidence will be in a form satisfactory to SBA Counsel and will be at Borrower's expense.
- B. Borrower will not sell or transfer any collateral (except normal inventory turnover in the ordinary course of business) described in paragraph 2 hereof without the prior written consent of SBA.
- C. Borrower will neither seek nor accept future advances under any superior liens on the collateral securing this Loan without the prior written consent of SBA.

4. USE OF LOAN PROCEEDS

Borrower will use the proceeds of this Loan solely to rehabilitate or replace property of Borrower, damaged or destroyed by disaster occurring in the month of APRIL, 2010. Borrower will apply all Loan proceeds to the following specific uses:

- A. Property located at 890 WILLOW TREE CIRCLE, CORDOVA, TN 38018:
 - (1) Approximately \$347,400.00 to repair/replace other disaster damaged land improvements, including items such as fence, driveway, septic system, etc.
 - (2) Approximately \$61,800.00 for FINAL / ENGINEERING reports and/or fees.

5. REQUIREMENTS FOR USE OF LOAN PROCEEDS AND RECEIPTS

- A. Borrower will obtain and itemize receipts (paid receipts, paid invoices or cancelled checks) and contracts for all Loan funds spent and retain these receipts for 3 years from the date of the final disbursement. Prior to each subsequent disbursement (if any) and whenever requested by SBA, Borrower will submit to SBA such itemization together with copies of the receipts.
- B. Borrower will make the damaged, repaired or replacement property(ies) available to SBA for inspection and verification of the use of Loan proceeds when so requested.
- C. Borrower will return to SBA, as soon as possible but not later than 1 year from the date of final disbursement, all funds received but not used for disaster repairs as authorized by the above paragraph. Funds so returned will be used to reduce the outstanding balance of this Loan and will not be applied in lieu of scheduled payments.

- D. Borrower will not use any proceeds of this Loan to pay wages or any other compensation for repair work performed by Borrower or members of Borrower's immediate family, or to pay overhead or profit for repairs performed by, or materials acquired from, a business in which Borrower owns a 50% or greater interest.
- E. Borrower will not use, directly or indirectly, any portion of the proceeds of this Loan to relocate without the prior written permission of SBA. The law prohibits the use of any portion of the proceeds of this Loan for voluntary relocation from the business area in which the disaster occurred. To request SBA's prior written permission to relocate, Borrower will present to SBA the reasons therefore and a description or address of the relocation site. Determinations of (1) whether a relocation is voluntary or otherwise, and (2) whether any site other than the disaster-affected location is within the business area in which the disaster occurred, will be made solely by SBA.
- F. Borrower will, to the extent feasible, purchase only American-made equipment and products with the proceeds of this Loan.
- G. Borrower will make any request for a loan increase for additional disaster-related damages as soon as possible after the need for a loan increase is discovered. The SBA will not consider a request for a loan increase received more than **two (2) years** from the date of the original Loan Authorization and Agreement unless, in the sole discretion of the SBA, there are extraordinary and unforeseeable circumstances beyond the control of the borrower.

6. DEADLINE FOR RETURN OF LOAN CLOSING DOCUMENTS

Borrower will sign and return the loan closing documents to SBA within 2 months of the date of this Loan Authorization and Agreement. By notifying the Borrower in writing, SBA may cancel this Loan if the Borrower fails to meet this requirement. The Borrower may submit and the SBA may, in its sole discretion, accept documents after 2 months of the date of this Loan Authorization and Agreement.

7. AGREEMENT TO REMIT AND ASSIGNMENT OF COMPENSATION FROM OTHER SOURCES

- A. Eligibility for this disaster Loan is limited to disaster losses that are not compensated by other sources. Other sources include but are not limited to: (1) proceeds of policies of insurance or other indemnifications, (2) grants or other reimbursement (including loans) from government agencies or private organizations, (3) claims for civil liability against other individuals, organizations or governmental entities, and (4) salvage (including any sale or re-use) of items of damaged property.
- B. Borrower will promptly notify SBA of the existence and status of any claim or application for such other compensation, and of the receipt of any such compensation, and Borrower will promptly submit the proceeds of same (not exceeding the outstanding balance of this Loan) to SBA.
- C. Borrower hereby assigns to SBA the proceeds of any such compensation from other sources and authorizes the payor of same to deliver said proceeds to SBA at such time and place as SBA shall designate.
- D. SBA will in its sole discretion determine whether any such compensation from other sources is a duplication of benefits. SBA will use the proceeds of any such duplication to reduce the outstanding balance of this Loan, and Borrower agrees that such proceeds will not be applied in lieu of scheduled payments.

8. REQUIREMENTS FOR REAL ESTATE CONSTRUCTION OR REPAIR

- A. Prior to disbursement of Loan funds in excess of \$14,000.00 for real estate construction or repair, Borrower will submit evidence satisfactory to SBA that all insurance proceeds and other funds received for disaster damages to the real estate, and any other funds necessary to complete the construction/repair project, have been spent for the repair or replacement of the disaster damaged real estate.
- B. Prior to disbursement of Loan funds in excess of \$14,000.00 for real estate construction, repair, or mitigation, Borrower will submit a copy of a valid building permit, or written evidence from proper authority that a building permit is not required.

- C. Prior to any disbursement of Loan funds for real estate construction, repair, or mitigation, Borrower will submit:
- (1) A written construction contract covering the cost of repair/construction/mitigation work satisfactory to SBA. This contract will not exceed the amount of this Loan allocated for repair or construction of real estate, unless Borrower demonstrates the availability of any additional funds needed in excess of that amount at terms satisfactory to SBA.
 - (2) Written evidence that contractor(s) has builder's risk and workman's compensation insurance.

Any of the above requirements may be waived in writing by and at the discretion of SBA. Borrower will not change any of the above without the prior written consent of SBA.

- D. Prior to any disbursement of Loan funds for real estate construction or repair, Borrower will execute and submit SBA Form 601.
- E. Borrower will not use lead-based paint on any interior surface of any residential structure, and those exterior surfaces of residential structures such as stairs, porches, windows, and doors, which are readily accessible to children under 7 years of age. If lead-based paint is improperly used, the Borrower will be required to remove the paint and repaint the affected area at the Borrower's expense.

9. DUTY TO MAINTAIN INSURANCE

- A. Prior to disbursement of Loan Funds in excess of \$14,000.00, Borrower will purchase hazard insurance, including fire, lightning, and extended coverage on the damaged property, including contents, and the collateral for this loan, in an amount equal to 80% of the insurable value of each property or the minimum coinsurance requirement set forth in the insurance policy provided by the Borrower, whichever is greater, or such other amounts and types of coverage as SBA may require. Borrower will provide proof of such hazard insurance coverage to SBA together with an endorsement naming SBA as mortgagee or loss payee, and Borrower will maintain such coverage throughout the entire term of this Loan.

10. BOOKS AND RECORDS

- A. Borrower will maintain current and proper books of account in a manner satisfactory to SBA for the most recent 5 years until 3 years after the date of maturity, including extensions, or the date this Loan is paid in full, whichever occurs first. Such books will include Borrower's financial and operating statements, insurance policies, tax returns and related filings, records of earnings distributed and dividends paid and records of compensation to officers, directors, holders of 10% or more of Borrower's capital stock, members, partners and proprietors.
- B. Borrower authorizes SBA to make or cause to be made, at Borrower's expense and in such a manner and at such times as SBA may require: (1) inspections and audits of any books, records and paper in the custody or control of Borrower or others relating to Borrower's financial or business conditions, including the making of copies thereof and extracts therefrom, and (2) inspections and appraisals of any of Borrower's assets.
- C. Borrower will furnish to SBA, not later than 3 months following the expiration of Borrower's fiscal year and in such form as SBA may require, Borrower's financial statements.
- D. Upon written request of SBA, Borrower will accompany such statements with an "Accountant's Review Report" prepared by an independent public accountant at Borrower's expense.
- E. Borrower authorizes all Federal, State and municipal authorities to furnish reports of examination, records and other information relating to the conditions and affairs of Borrower and any desired information from such reports, returns, files, and records of such authorities upon request of SBA.

11. DISTRIBUTIONS AND COMPENSATION

- A. Borrower will not, without the prior written consent of SBA, make any distribution of Borrower's assets, or give any preferential treatment, make any advance, directly or indirectly, by way of loan, gift, bonus, or otherwise, to any member, officer, director or employee, or to any company directly or indirectly controlling or affiliated with or controlled by Borrower, or any other company.

12. OTHER CONDITIONS

- A. If Borrower has or intends to have employees, Borrower will post SBA Form 722, "Equal Opportunity Poster", in Borrower's place of business where it will be clearly visible to employees, applicants for employment, and the general public.
- B. Prior to disbursement of any Loan funds, Borrower will execute and submit Board of Directors' Resolution on SBA Form 160.
- C. Prior to disbursement of any Loan proceeds, Borrower will complete the Certification Concerning Lobbying and the Disclosure of Lobbying Activities (if appropriate), and submit the required document(s) to SBA (for Loans in excess of \$150,000).

13. BORROWER'S CERTIFICATIONS

Borrower certifies that:

- A. There has been no substantial adverse change in Borrower's financial condition (and organization, in case of a business borrower) since the date of the application for this Loan. (Adverse changes include, but are not limited to: judgment liens, tax liens, mechanic's liens, bankruptcy, financial reverses, arrest or conviction of felony, etc.)
- B. No fees have been paid, directly or indirectly, to any representative (attorney, accountant, etc.) for services provided or to be provided in connection with applying for or closing this Loan, other than those reported on SBA Form 5, "Business Disaster Loan Application"; or SBA Form 159, "Compensation Agreement". All fees not approved by SBA are prohibited.
- C. All representations in the Borrower's Loan application (including all supplementary submissions) are true, correct and complete and are offered to induce SBA to make this Loan.
- D. No claim or application for any other compensation for disaster losses has been submitted to or requested of any source, and no such other compensation has been received, other than that which Borrower has fully disclosed to SBA.
- E. Neither the Borrower nor, if the Borrower is a business, any principal who owns at least 50% of the Borrower, is delinquent more than 60 days under the terms of any: (a) administrative order; (b) court order; or (c) repayment agreement that requires payment of child support.
- F. Borrower certifies that no fees have been paid, directly or indirectly, to any representative (attorney, accountant, etc.) for services provided or to be provided in connection with applying for or closing this Loan, other than those reported on the Loan Application. All fees not approved by SBA are prohibited. If an Applicant chooses to employ an Agent, the compensation an Agent charges to and that is paid by the Applicant must bear a necessary and reasonable relationship to the services actually performed and must be comparable to those charged by other Agents in the geographical area. Compensation cannot be contingent on loan approval. In addition, compensation must not include any expenses which are deemed by SBA to be unreasonable for services actually performed or expenses actually incurred. Compensation must not include charges prohibited in 13 CFR 103 or SOP 50-30, Appendix 1. **If the compensation exceeds \$500 for a disaster home loan or \$2,500 for a disaster business loan, Borrower must fill out the Compensation Agreement Form 159D which will be provided for Borrower upon request or can be found on the SBA website.**
- G. The Borrower(s) are the owner(s) of and hold legal title to certain real estate property fully described in Section 2 - Collateral. Said premises are in my/our possession, and my/our title thereto has never been disputed or questioned as to any part thereof. Said premises are free of all mortgages, taxes, assessments, liens, encumbrances, and claims,

or interest of any other party, except as listed in Section 2 of this document. There are no actions pending affecting said real property.

14. CIVIL AND CRIMINAL PENALTIES

- A. Criminal Penalties: Any person who knowingly makes a false statement or misrepresentation to SBA shall be subject to a fine of not more than \$10,000.00 or to imprisonment for not more than 5 years, or both, under provisions of 18 U.S.C. 1001 and/or 15 U.S.C. 645.
- B. Civil Penalties: Public Law 92-385 provides that for all disaster Loans made after August 16, 1972, anyone who wrongfully misapplies the proceeds of a disaster Loan shall be civilly liable to the Administrator in an amount equal to one and one-half times the original principal amount of the Loan.

15. RESULT OF VIOLATION OF THIS LOAN AUTHORIZATION AND AGREEMENT

- A. If Borrower violates any of the terms or conditions of this Loan Authorization and Agreement, the Loan will be in default and SBA may declare all or any part of the indebtedness immediately due and payable. SBA's failure to exercise its rights under this paragraph will not constitute a waiver.
- B. A default (or any violation of any of the terms and conditions) of any SBA Loan(s) to Borrower and/or its affiliates will be considered a default of all such Loan(s).

16. DISBURSEMENT OF THE LOAN

- A. Disbursements will be made by and at the discretion of SBA Counsel, in accordance with this Loan Authorization and Agreement and the general requirements of SBA.
- B. Disbursements may be made in increments as needed.
- C. Other conditions may be imposed by SBA pursuant to general requirements of SBA.
- D. Disbursement may be withheld if, in SBA's sole discretion, there has been an adverse change in Borrower's financial condition or in any other material fact represented in the Loan application, or if Borrower fails to meet any of the terms or conditions of this Loan Authorization and Agreement.
- E. **NO DISBURSEMENT WILL BE MADE LATER THAN 6 MONTHS FROM THE DATE OF THIS LOAN AUTHORIZATION AND AGREEMENT UNLESS SBA, IN ITS SOLE DISCRETION, EXTENDS THIS DISBURSEMENT PERIOD.**

17. PARTIES AFFECTED

- A. This Loan Authorization and Agreement will be binding upon Borrower and Borrower's successors and assigns and will inure to the benefit of SBA and its successors and assigns.

18. DATE

A. This Loan Authorization and Agreement is approved and issued on January 12, 2011.

Administrator
Karen G. Mills

James E. Rivera

James E. Rivera
Associate Administrator
U.S. Small Business Administration

The undersigned agree(s) to be bound by the terms and conditions herein during the term of this Loan, and further agree(s) that no provision stated herein will be waived without prior written consent of SBA.

THE CARROLLWOOD LAKES HOMEOWNERS
ASSOCIATION, INC.

By: _____
CAMILLE PETERSON, PRESIDENT Date _____

By: _____
RON BUDYNAS, TREASURER Date _____

Note: Corporate Borrowers must execute Loan Authorization and Agreement in corporate name, by a duly authorized officer, and a seal must be affixed and duly attested; partnership Borrowers must execute in firm name, together with signature of a general partner. Limited liability entities must execute in the entity name by the signature of the authorized managing person.