INSTRUCTIONS FOR USE OF
SBA FORM 148, UNCONDITIONAL GUARANTEE, AND
SBA FORM 148L, UNCONDITIONAL LIMITED GUARANTEE

SBA is issuing a new version of the Unconditional Guarantee (Form 148) and introducing a new form, the Unconditional Limited Guarantee (Form 148L) (the "Guarantees"). Their use will be mandatory beginning November 15, 1998.

For a description of the changes to the Guarantees, refer to the *Overview of 1998 Changes to SBA 7(a) Note, 504 Note, and Guarantees*.

APPLICABLE TO BOTH GUARANTEES

A. Mandatory Use. You must use the Guarantees for all SBA 504 and 7(a) loans, including LowDoc loans - **except** *SBA Express* – effective November 15, 1998. You may not use any other guarantee after November 14, 1998. You do not have to re-execute Guarantees signed before November 15, 1998 on the old Form 148. You may use your own guarantee for SBA Express.

B. No Alterations. You may not alter the text or make any additions except to insert information required to complete the form.

C. Insertions. You must fill out the forms where indicated, including state-specific language required by the 7(a) or 504 Authorizations. You must complete the terms in accordance with the Authorization.

D. Choice of Law. You must not insert choice–of-law provisions into the Guarantees. If you include a choice-of-law provision in your loan agreement, the agreement must state that federal law applies when SBA holds the Note.

E. Information Grid. Fill out all applicable spaces in the information grid at the top of the front page of the Guarantee. Most information for the grid will come from the Authorization. The information must be consistent in all documents--Authorization, Notes, and Guarantees.

   1. SBA Loan Number. Copy from the Authorization.

   2. SBA Loan Name. The term "SBA Loan Name" is new. This must be the same as in the Authorization.

      The SBA Loan Name is the **first available** name from the following list:

      a. The "dba" name (trade name) of the Operating Company
      b. The actual (legal) name of the Operating Company
      c. The "dba" name (trade name) of the Borrower
      d. The actual (legal) name of the Borrower

      If there is more than one Borrower or Operating Company, use the first Borrower or Operating Company listed in the Authorization and apply the above rules.

   3. Guarantor. Insert the legal names of individuals or entities who will be Guarantors on this guarantee. DO NOT INCLUDE DBAs here**.** All Guarantor names in the information grid must be the same as in the signature block.

4. Borrower. Insert the names of all Borrowers. DO NOT INCLUDE DBAs here. All Borrower names in the information grid must be the same as in the information grid in the Note.
5. Lender. For 7(a) loans, insert the name of the Lender. For 504 loans, insert the name of the CDC.
6. Date. Insert the date the Guarantee is signed.
7. Note Amount. Insert, in numbers only, the principal amount of the loan.

F. Note. In Paragraph 2, fill in the Note amount, in words, and the date of the Note. The Note amount here must be the same as the Note Amount in the Grid.

G. State-Specific Provisions. Add to the Guarantees any state-specific provisions required in the Authorization. If there are no state-specific provisions, put "NONE."

H. Collateral Securing the Guarantee. Except as part of the collateral/ recourse limitation in the Unconditional Limited Guarantee, collateral securing the Guarantee is no longer listed on the Guarantee. If the Guarantee is secured by collateral, then the mortgage, deed of trust, or security agreement must refer to the Guarantee as the obligation secured. This will connect the Guarantee and the pledge instrument for purposes of enforcement, and ensure that all of the required waivers and federal law provisions will apply.

I. Joint and Several Liability. All guarantors signing a single Guarantee form are jointly and severally liable.

J. Signatures. You must create the signature block at the end of the Guarantee. The signature block must include the legal name of the individual or entity signing the Guarantee and, where applicable, the name and title of the authorized representative who will execute the document on its behalf. For instructions on how to complete an enforceable signature block that complies with applicable state law, consult with your attorney.

THE UNCONDITIONAL GUARANTEE, FORM 148.

Use this document when the Authorization requires a Full Unsecured Guarantee or a Full Secured Guarantee.

THE UNCONDITIONAL LIMITED GUARANTEE, FORM 148L.

A. Use. Use this document when the Authorization requires a Limited Unsecured Guarantee or a Limited Secured Guarantee.

B. Use a Single Limitation for Each Guarantee. Select only one option in a single Guarantee. Only one limitation may apply to each Guarantor.

C. Terms. The text in the Unconditional Limited Guarantee is essentially the same as in the Unconditional Guarantee except for the addition of Paragraph 4, Payment Limitation. The instructions for payment limitation options are in paragraph D.3 below.

D. Limitation Options.

1. Balance Reduction. If you select this option, the guarantee is for the full amount of the Note and any interest, charges, or other expenses that may be added to the Note. The guarantee is in force until the entire obligation has been reduced to the stated amount. At that time, the Guarantor will be released from liability, unless the Note is in default. If the total amount of the loan is reduced to the stated amount and the Note is not in default, the Guarantor will be released completely from further liability, even if the amount of the entire obligation later increases over the stated amount. If the Note is in default, reduction below the stated amount will not release the Guarantor.

2. Principal Reduction. This option is similar to the previous option except the outstanding principal balance governs the limitation. The guarantee is in force until the principal balance has been reduced to the stated amount. At that time, the Guarantor will be released from liability if the Note is not in default. If the principal balance is reduced and the Note is not in default, the Guarantor will be released completely from further liability, even if the principal balance subsequently increases over the stated amount. If the Note is in default, reduction below the stated amount will not release the Guarantor.

   Use Extra Care: Consider carefully before using options 1 or 2. The Guarantor could be released from liability even if the loan is not paid in full. For example, a Borrower or Guarantor could reduce the balance to the stated amount just before the loan becomes delinquent. The Guarantor would be released from liability. The loan balance could then increase substantially due to payment of prior liens or other costs. Use options 1 and 2 when it is reasonable to conclude that payment of senior liens or other substantial costs are not likely to increase the loan balance after release of the Guarantor. Consider using options 3, 4, or 5 as alternatives.

3. Maximum Liability. This option limits the Guarantor's liability to the stated amount or all amounts owing on the Note, whichever is less. Except for payments that reduce the loan balance below the stated amount, only payments by the Guarantor are credited against Guarantor's liability. If more than one individual or entity signs on a single Unconditional Limited Guarantee form with this limitation, the stated amount is the maximum amount that may be collected from any or all of the Guarantors who sign the single form.

4. Percentage. Under this option, Guarantor must pay the stated percentage of all amounts owing on the Note when demand is made on the Guarantor. The Guarantor is liable for the stated percentage of interest, expenses, charges and other costs added to the balanced owed even after demand has been made. If more than one individual or entity signs on a single Unconditional Limited Guarantee form with this limitation, the stated percentage is the maximum percentage that may be collected from any or all of the Guarantors who sign the single form.

5. Time. Under this option, the guarantee is for all obligations due under the Note during the stated time period. Prior to the expiration of the "Guarantee Period," evaluate the loan carefully to determine if demand on the Guarantor is appropriate. If the loan is in default at the end of the "Guarantee Period," the Guarantor's obligation continues until the default is cured. Therefore, you must consider the effect upon the guarantee in determining whether to allow a default to be cured, grant a deferment, or accept a bankruptcy plan. You may condition cure of a default on Guarantor's consent to extend the "Guarantee Period" or Guarantor executing an Unconditional Guarantee.

6. Collateral/Recourse. The Unconditional Limited Guarantee, with the Collateral/Recourse option selected, should be used for every person who pledges collateral but will not be personally liable. This will ensure that the waivers, consent, and notice provisions of the Guarantee are applicable to such persons. In the box, insert the collateral pledged by the Guarantor. It is still necessary to perfect the security interest in such collateral in accordance with state law.

7. Community Property or Spousal Interest Limitation. This option is for the situation when a spouse could assert that a community property or spousal interest in property pledged to secure the loan is not subject to enforced collection. With this limitation, a spouse is not obligated personally for the debt, but cannot make an adverse claim against property securing the debt by claiming a community property or spousal interest in such property.