

INTRODUCTION

The U.S. Small Business Administration ("SBA") is pleased to announce SBA Loan Sale #3 ("Sale #3") in connection with its on-going Asset Sales Program. This Program was launched in 1999 to sell SBA loans in an open and competitive manner while maintaining the policies central to the Agency's mission. To learn more about the Asset Sales Program and its mission, please visit the following SBA websites:

- www.sba.gov/assets/sales.html
- www.sba.gov/assets/ovamsn.html

PRELIMINARY SALES SCHEDULE

Bidder Information Package available	9/25/2000
Pre-Bid Conference	9/28/2000
Pre-Bid Conference Webcast	Early October
Due diligence facility opens	10/5/2000
Due diligence facility closes	12/1/2000
Bid date	12/5/2000
Bid award announcement	12/8/2000
Closings	12/15/2000-12/29/2000
Servicing transfer date	1/31/2001

PORTFOLIO AND SBA PROGRAM DESCRIPTIONS

The Sale #3 portfolio includes performing, sub-performing and non-performing loans originated under the following SBA programs: (i) the Disaster Assistance Program, (ii) 7(a) Loan Guaranty Program, (iii) the 7(a) Direct Loan Program, and (iv) the Certified Development Company Loan Programs (also referred to as Section 502, 503 and 504 loans).

The Disaster Assistance Program is SBA's largest direct loan program. It serves both individuals and small businesses. Disaster assistance loans provide capital to homeowners, renters, businesses and non-profit organizations to rebuild and/or recover in the wake of physical disasters. Two types of disaster assistance loans are included in Sale #3: home and business. The home or residential loans are available to homeowners and renters whose properties have sustained physical damage. Business loans are available to small businesses and non-profit organizations, and are intended to assist victims of physical damage and/or economic injury. Economic injury disaster assistance loans provide working capital to small businesses until normal operations can resume after a physical disaster. Economic injury disaster

assistance loans may be made to borrowers whose small businesses do not suffer physical damage. All of the Sale #3 disaster assistance loans will be at least two years old as of the bid date. There is no SBA guaranty available to the purchasers of these loans.

Under the 7(a) Loan Guaranty Program, SBA-approved private sector lenders originate loans to small businesses for various business purposes, and the SBA guarantees a portion of the loan against losses from default. The guaranty percentage generally ranges from 75 percent to 80 percent, depending on the loan amount. The maximum guaranty amount is \$750,000. For all of the 7(a) Loan Guaranty Program loans included in Sale #3, the SBA has paid the originating lender the guaranty percentage and therefore no further SBA guaranty is available to the purchasers of these loans. The 7(a) Loan Guaranty Program loans in Sale #3 are currently serviced by the SBA or by the participating lender.

Under the 7(a) Direct Loan Program, the SBA originated loans directly to small businesses until 1995. These loans typically have smaller balances than the 7(a) Loan Guaranty Program loans, generally less than \$150,000. All of these loans are serviced by the SBA. There is no SBA guaranty available to the purchasers of these loans.

The Certified Development Company (504 Loan) Program provides, in conjunction with a private sector loan, long-term, fixed-rate financing to facilitate acquisition of major fixed assets, such as real estate and equipment. A typical development company is a non-profit corporation created to assist the economic development of its community by originating these loans and engaging in other development activities. Generally, a project is financed as follows: 50 percent of the asset cost is provided by private sector lender financing in a first lien position, 40 percent by an additional loan in a second lien position funded by an SBA-guaranteed debenture (the Development Company loan) and 10 percent equity is contributed by the small business borrower. The maximum SBA debenture is \$1 million. The SBA has two inactive Development Company loan programs that have loans outstanding - the 502 and 503 programs. The SBA has paid its guaranty of each debenture on all the Development Company loans included in Sale #3 and has converted the amount paid on each debenture

into a note receivable, which is an obligation of the borrower. There is no further SBA guaranty available to the purchasers of these loans.

To obtain additional information concerning the SBA Loan Programs described above, please visit the following SBA websites:

- www.sba.gov/disaster/
- www.sba.gov/financing/fr7aloan.html
- www.sba.gov/financing/frcdc504.html

PORTFOLIO INFORMATION

The Sale #3 portfolio includes secured and unsecured loans. Collateral for the secured loans includes business assets, residential or commercial real estate, machinery and equipment. Virtually all of the loans in Sale #3 were made with recourse to the borrower and a significant number of the loans are supported by personal, third party or corporate guaranties. All of the loans in Sale #3 will be sold servicing released.

BIDDING FEATURES

In an effort to maximize the return to the Government and attract the greatest amount of interest from all prospective bidders, the SBA will offer the loans in a series of pools according to various combinations of the following criteria: performance status, collateral type, loan type, lien position, and geography. Also, there will be some small pools for which only individual loan pool bids will be accepted. These pools will be evaluated and awarded individually.

PRE-BID CONFERENCE

One Pre-Bid Conference has been scheduled. Representatives from the SBA, Hanover Capital Partners Ltd. ("Hanover Capital"), KPMG Consulting, LLC ("KPMG Consulting") and The METEC Group are expected to participate in the conference. Questions and answers addressed at the Pre-Bid Conference will be included in the Bidder Information Package supplements.

SALE #3 PORTFOLIO SUMMARY
(as of July 25, 2000)
numbers are approximate and subject to change

Aggregate Unpaid Principal Balance	\$1.2 billion			
Number of Loans	20,400			
Remaining Weighted Average Maturity	233 months			
Weighted Average Coupon	4.49%			
	Disaster Assistance Loans		Development	
SBA Loan Program	Business	Home	7(a) Loans	Company Loans
Number of Loans	6,700	12,500	1,000	200
Aggregate Unpaid Principal Balance	\$543,000,000	\$534,000,000	\$109,000,000	\$42,000,000
Weighted Average Coupon	4.14%	3.86%	9.83%	7.32%
Remaining Weighted Average Maturity	227 months	261 months	108 months	180 months
Geographic Distribution	CA: 27%	CA: 46%	CA: 15%	CA: 9%
	TX: 11%	FL: 6%	TX: 11%	IN: 7%
	ND: 8%	MN: 5%	NY: 9%	MO: 6%
	FL: 5%	ND: 5%	CT: 6%	NY: 5%
	KY: 4%	KY: 5%	FL: 6%	CO: 5%
	MN: 3%	WA: 4%	PA: 5%	TX: 5%
	Other: 42%	Other: 29%	Other: 48%	Other: 63%

PRE-BID CONFERENCE

Thursday, September 28 New York Marriott East Side
525 Lexington Av.
10am - 1pm New York City

To make a reservation to attend the Conference, please call the SBA Sale #3 hotline at (877) 457-6754. Reservations will be accepted until September 26, 2000.

WEBCAST

A webcast is scheduled and planned to be available via the Internet at www.sba.gov/assets/sale3.html. The webcast will provide general information regarding the SBA Asset Sales Program, the Sale #3 loan portfolio, due diligence options and bid procedures. The webcast will provide prospective bidders with another means of obtaining sale information.

DUE DILIGENCE

Prospective bidders have a number of options for performing due diligence. All Bidder Information Packages will include Loan Information CD-ROMs. Prospective bidders will also be able to access the due diligence database electronically or by visiting the due diligence facility in Washington, DC from October 5, 2000 to December 1, 2000. A \$500 non-refundable due diligence fee is required for admission to the due diligence facility, for electronic access to the due diligence database and/or to purchase the Due Diligence CD-ROM(s). *Due to the high level of interest in Sale #3, it is suggested that prospective bidders make their due diligence reservations early.* It may be necessary to limit the number of reviewers per prospective bidder and the time allotted for their review at the due diligence facility. All of the Sale #3 due diligence options and procedures will be further described in the Bidder Information Package.

BIDDER INFORMATION PACKAGE

On or about September 25, 2000, the Sale #3 Bidder Information Package will be available to qualified prospective bidders free of charge. The Bidder Information Package will contain detailed information concerning the bid process, Sale #3 terms and conditions, a Loan Information CD-ROM containing loan level data, due diligence reports and general information. To order a Bidder Information Package, it is necessary to complete and submit a

Confidentiality Agreement and Bidder Qualification Statement. These documents are available on the SBA website at www.sba.gov/assets/sale3.html or by calling the SBA Sale #3 hotline at (877) 457-6754. The completed Confidentiality Agreement and Bidder Qualification Statement must be faxed to the attention of Joyce Mizerak at (732) 572-5959 and mailed to the following address:

**Hanover Capital Partners Ltd.
100 Metroplex Drive, Suite 301
Edison, New Jersey 08817
Attention: Joyce Mizerak
SBA Loan Sale #3**

TEAMING ARRANGEMENTS

A number of prospective bidders have expressed the desire to team with others to enhance their capabilities to address such issues as capital resources, asset management and loan servicing. To accommodate this interest in teaming, Hanover Capital/KPMG Consulting will maintain and make available to interested persons a list of prospective bidders or contractors wishing to undertake teaming arrangements. If you wish to include your name on this list, please contact Hanover Capital, as directed below. The list will be distributed periodically to all prospective bidders on the list.

FURTHER INFORMATION

For further information concerning Sale #3, please visit the SBA Asset Sale website at www.sba.gov/assets/sale3.html. The website provides information about current and past SBA sales, general information about the SBA, and answers to frequently asked questions. If you have any questions concerning Sale #3, please contact Hanover Capital, as directed below.

POINTS OF CONTACT FOR SBA SALE #3

Toll Free Number (877) 457-6754
Facsimile Number (732) 572-5959
E-mail Address ... sbasale3@hanovercapital.com

DISCLAIMER

Neither the SBA, Hanover Capital Partners Ltd. ("Hanover Capital"), KPMG Consulting, LLC ("KPMG Consulting"), Whitestone Capital Group, Inc., nor The METEC Group nor any of their respective contractors, subcontractors, affiliates, directors, officers, employees, advisors or agents, make any representation or warranty, whether express, implied or arising by operation of law, as to the accuracy or completeness of the information contained in this announcement or made available to prospective bidders in connection with Sale #3 and no legal liability with respect thereto is assumed or may be implied. Hanover Capital and KPMG Consulting are acting as transaction financial advisors to the SBA and have not audited or independently verified, and do not endorse, any portion of the financial information contained in this announcement or made available to prospective bidders in connection with Sale #3. *No person has been authorized to make any written or oral representation as to the accuracy or completeness of the information contained or the materials referred to in this announcement and, if any representation or warranty is given or made, it must not be relied upon.* The purchase of loans involves risks and prospective bidders should, along with their advisors, undertake any investigation necessary to understand and evaluate the risks associated with such purchase. Except as otherwise explicitly stated in the Loan Sale Agreement, the loans are being sold "AS IS," "WHERE IS," "WITH ALL FAULTS" and without any recourse whatsoever.

This announcement is not an offer to sell or a solicitation for an offer to buy loans.



U.S. Small Business Administration

**409 Third Street, SW
Washington, DC 20416**

Announces

SBA Loan Sale #3



Bid Date: December 5, 2000

Aggregate Unpaid
Principal Balance: \$1.2 billion (approximate)
Number of Loans: 20,400 (approximate)

Sale #3 Transaction Financial Advisors



HANOVER CAPITAL PARTNERS LTD.



Sale #3 Due Diligence Contractor



Asset Sales Program Financial Advisor



Whitestone Capital Group, Inc.

August 2000