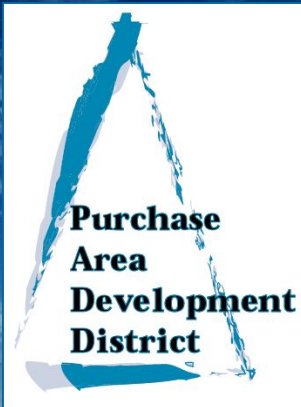


# QUICK GUIDE FOR

# SBA 504

... Reach out for your dreams!



## WHAT IS THE SBA 504 PROGRAM?

Co-Lender financing designed to facilitate the acquisition of capital assets for small businesses.

## WHO CAN QUALIFY?

Most for-profit, owner-occupied small businesses in the USA with a net worth less than \$7.5 million and net profit after tax (2 year average) of no more than \$2.5 million; or manufacturer with less than 500 employees.

## ELIGIBLE USE OF FUNDS

- Land
- Acquisition of existing building
- New construction
- Building expansion
- Long-term equipment
- Energy Efficiency Upgrades
- Renewable Energies Technologies
- Professional fees
- Lender's interim points and interest

## INELIGIBLE USE OF FUNDS

- Working Capital
- Inventory
- Goodwill assets from business acquisition
- Franchise fees
- Tenant improvements
- Debt refinance (other than interim loans)

## INTEREST RATE AND TERMS

- Fixed-rate (based on treasury rates)
- Fully-amortized over life of loan (no balloon payment)
- Real estate - may be 10 or 20-year term
- Machinery and equipment - maybe 10 or 20-year term (based on useful life)
- Rate "locks in" when the SBA funds the debenture

## MAXIMUM GROSS DEBENTURE (SBA PORTION)

- \$1,500,000 (typical project)
- \$2,000,000 (if Public Policy Goal is met)
- \$4,000,000 (manufacturers)
- No maximum limit placed on participating lender's loan portion

## PUBLIC POLICY GOALS

- *Aiding rural development*
- *Women, minority, or veteran owned*
- *Energy efficiency improvements (10% savings or more)*
- *Renewable energy investments*
- *Revitalizing economic development areas*
- *Enhancing economic competitiveness*
- *Expanding exports*
- *Areas impacted by federal budget cutbacks*
- *Meeting federal safety and environmental policies*

## BORROWER'S INJECTION

- 10% in most cases
- 15% for start-up businesses (less than two years in operation) or special-purpose properties
- 20% if the project is a start-up AND special-purpose property
- Equipment only loans may qualify with 10% or 15% injections

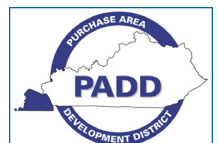
## OCCUPANCY

- 51% for existing facilities/building (renovations / expansions are eligible)
- 60% for ground-up construction projects (should occupy 80% within ten years)

## JOB CREATION / RETENTION

- One job for every \$50,000 of the loan (for most projects)
- One job for every \$75,000 of the loan (for enterprise zones and labor surplus areas)
- One job for every \$100,000 of the loan (for manufacturers)
- *Projects are usually excluded from the job requirements if a public policy goal is fulfilled!!!*

Purchase Area Development District  
1002 Medical Drive  
P.O. Box 588  
Mayfield, KY 42066





# QUICK GUIDE FOR **SBA 504**

## BENEFITS FOR BORROWERS AND LENDERS

- Finance up to 40% of the project at a long-term, fixed-rate
- Lower equity contribution, as little as 10% of project - helps to preserve working capital
- Decreased risk for banks - makes most deals happen
- Most soft costs may be rolled into the project financing
- 1st lien position for co-financing bank or non-bank lender

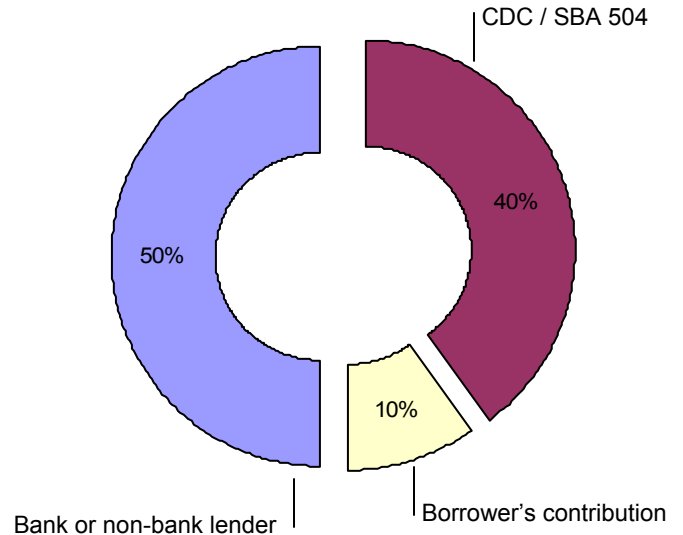
## SAMPLE PROJECTS FINANCED BY SBA 504 PROGRAM

- Office buildings (condos)
- Convenience stores and retail
- Franchises and restaurants
- Child / adult / pet daycare
- Hotels / motels
- Veterinaries
- Car wash
- Dentists
- Printing / copying
- Suppliers / wholesalers
- Manufacturers
- Medical clinics
- Movie theaters
- Much, much more ...

## MORE INFORMATION

<http://www.sba.gov/services/financialassistance/index.html>

## TYPICAL SBA 504 PROJECT LOAN STRUCTURE (\$1,000,000 PROJECT EXAMPLE)

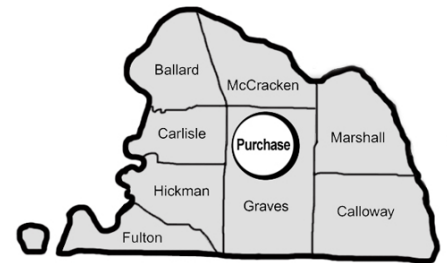


Bank or non-bank lender	50%	\$500,000
CDC / SBA 504	40%	\$400,000
Borrower's contribution	10%	\$100,000



The Purchase Area Development District is a partnership organization that offers support to city and county governments in the 8-county region of Western Kentucky. This region includes the counties of Ballard, Calloway, Carlisle, Fulton, Graves, Hickman, Marshall, and McCracken.

We provide opportunities for community leaders to gather, share common concerns, and create innovative approaches to local and regional challenges.



**THE SBA 504 PROGRAM ENABLES THE PURCHASE AREA DEVELOPMENT DISTRICT (PADD) TO PROVIDE FINANCIAL ASSISTANCE TO BUSINESSES ALL OVER THE STATE OF KENTUCKY.**



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