



Presentation for Liberty-Dayton Area Chamber of Commerce

March 16, 2011



Houston-Galveston Area Local Development Corporation

SBA 504 Loan Program



- **Statewide.**
- **Enables businesses to create & retain jobs.**
- **Provides long-term fixed rate.**



**Real estate, existing buildings, land & improvements,
machinery, equipment & furniture.**



- **SBA 504 Loan Program**

**New construction,
modernizing or renovating
existing facility.**

**Professional fees & interest
on interim financing.**





SBA 504 Loan Program

Most for profit, owner-occupied businesses.

Net worth of \$8.5 million & annual net profits after tax of less than \$3 million.

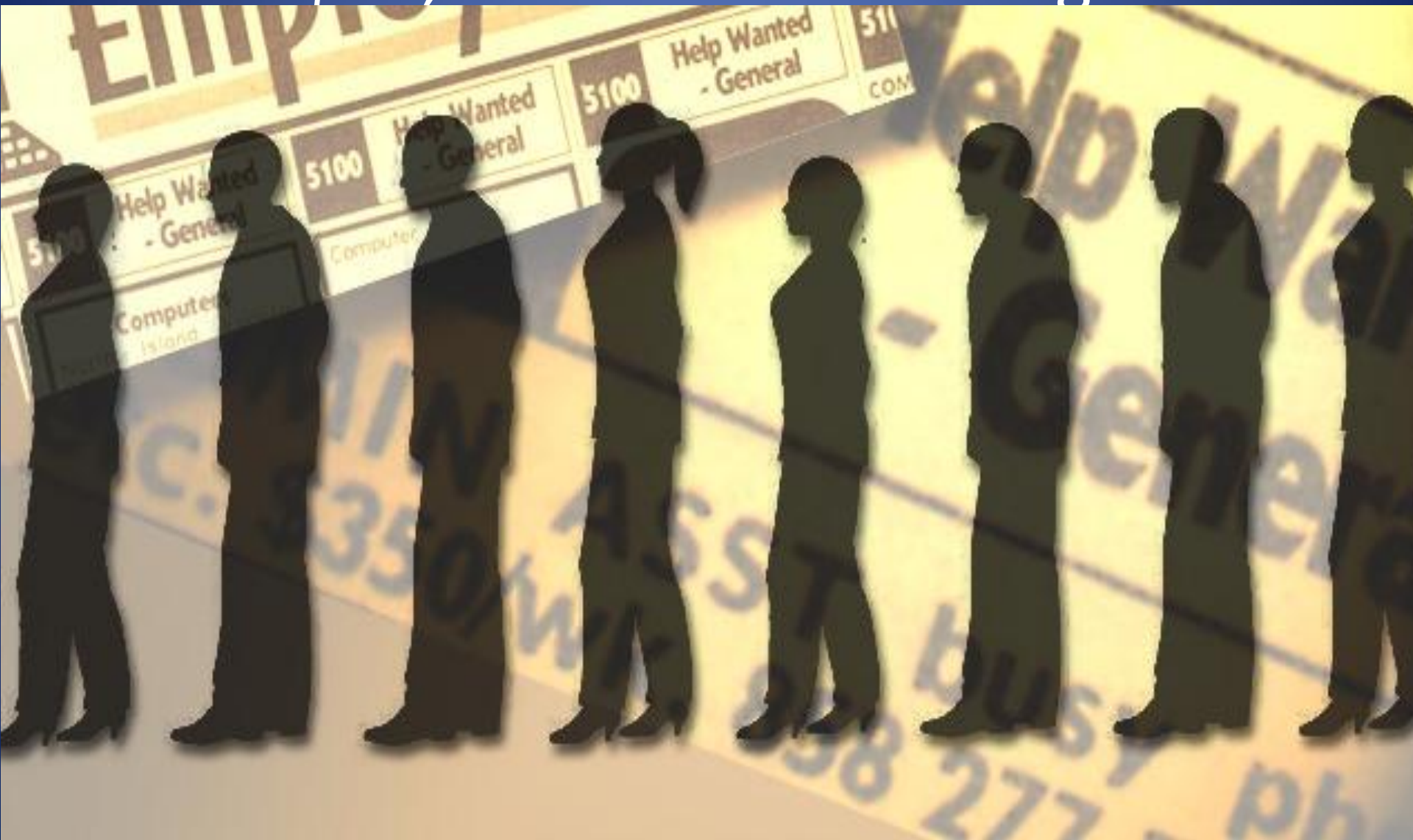


SMALL
BUSINESS
ADVISER



76

One new job must be created for every
\$65,000 of SBA financing.



Example 504 Project

Use of Proceeds	Bank	H-GALDC	Business	Total
Land	\$220,000		\$300,000	\$520,000
Construction	\$1,200,000	\$800,000		\$2,000,000
Machinery & Equipment	\$80,000	\$320,000		\$400,000
Professional Fees		\$20,000		\$20,000
Contingency & Interim Interest		\$60,000		\$60,000
TOTAL PROJECT COST	\$1,500,000	\$1,200,000	\$300,000	\$3,000,000
% of TOTAL PROJECT COST	50%	40%	10%	100%

Why H-GALDC?

Lowest servicing fees allowed in the industry.

Dedicated, full time servicing staff.



SBA 504 Loan Program

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**Gulf Coast Economic Development
District, Inc.**

**Economic Development Administration
Revolving Loan Fund
(EDA RLF)**







Application Review

- Project Eligibility
- Environmental Review



Underwriting

Committee Presentation



Commitment Letter

Loan Closing

Terms

**Loan
Amount**

\$10,000
to \$150,000

**Equity
Injection**

Minimum 10%
of total project cost

Maturity

Up to 10 years

**Interest
Rate**

Minimum of 4%
fixed





**Purchase Commercial Real Estate
Construction & Building Improvements
Equipment, Furniture, Fixtures & Inventory**



Working Capital Closing Costs & Insurance



Repayment Ability
Management & Business Ownership Experience
Character
Credit History
Collateral



Eligible Businesses

- **For profit**
- **Owner-occupied business**
- **Various business types**

Ineligible Businesses

- **Speculative**
- **Passive**
- **Investment**



INELIGIBLE USE OF PROCEEDS

Business Acquisition

Debt Refinance



- **Business Insurance (i.e., flood, hazard).**
- **Life insurance on the owners in the amount of the EDA loan.**
- **Quarterly Profit and Loss & Balance Sheet.**
- **Job Creation Reporting.**



One job will be created or retained for every \$65,000 of EDA loan proceeds.



**EDA RLF does not compete with banks.
Business applies for a loan with a private lender first.**

Scenario #1 EDA RLF & Business

GCEDD may be the sole lender only when credit is unavailable elsewhere.

Example Project

Source of Funds	Dollar Amount	% of Total Project	Collateral Position
GCEDD	\$ 150,000	90%	1st lien
Business	\$ 17,000	10%	
Total Project Cost	\$ 167,000	100%	

Scenario #1 EDA RLF & Business

Example Project

Use of Proceeds	GCEDD	Business	Total
Equipment	\$95,000		\$95,000
Inventory	\$29,000	\$13,000	\$42,000
Closing Costs		\$4,000	\$4,000
Working Capital	\$26,000		\$26,000
TOTAL PROJECT COST	\$150,000	\$17,000	\$167,000
% of TOTAL PROJECT COST	90%	10%	100%

Scenario #2 EDA, Bank & Business

GCEDD finances a portion of the project along with the bank & the business.

Example Project

Source of Funds	\$ Amount	% of Total Project	Collateral Position
Bank (SBA or conventional)	\$ 175,000	50%	1st Lien
GCEDD	\$ 140,000	40%	2nd lien
Business	\$ 35,000	10%	
Total Project Cost	\$ 350,000	100%	

Scenario #2 EDA, Bank & Business

Example Project				
Use of Proceeds	Bank	GCEDD	Business	Total
Building Improvements	\$155,000			\$155,000
Equipment		\$120,000		\$120,000
Inventory		\$20,000	\$30,000	\$50,000
Closing Costs			\$5,000	\$5,000
Working Capital	\$20,000			\$20,000
TOTAL PROJECT COST	\$175,000	\$140,000	\$35,000	\$350,000
% of TOTAL PROJECT COST	50%	40%	10%	100%

BENEFITS TO THE BANK

- Mitigates Bank's risk.
Bank finances a smaller percentage of project.
- Stronger deal.
- Bank has superior collateral position.



BENEFITS TO THE



- Access to financing if bank declines loan.
- Additional financing source when business needs more money than bank will lend.
- Lower interest rate.



PROJECT

- Application
- Quotes for items to be purchased





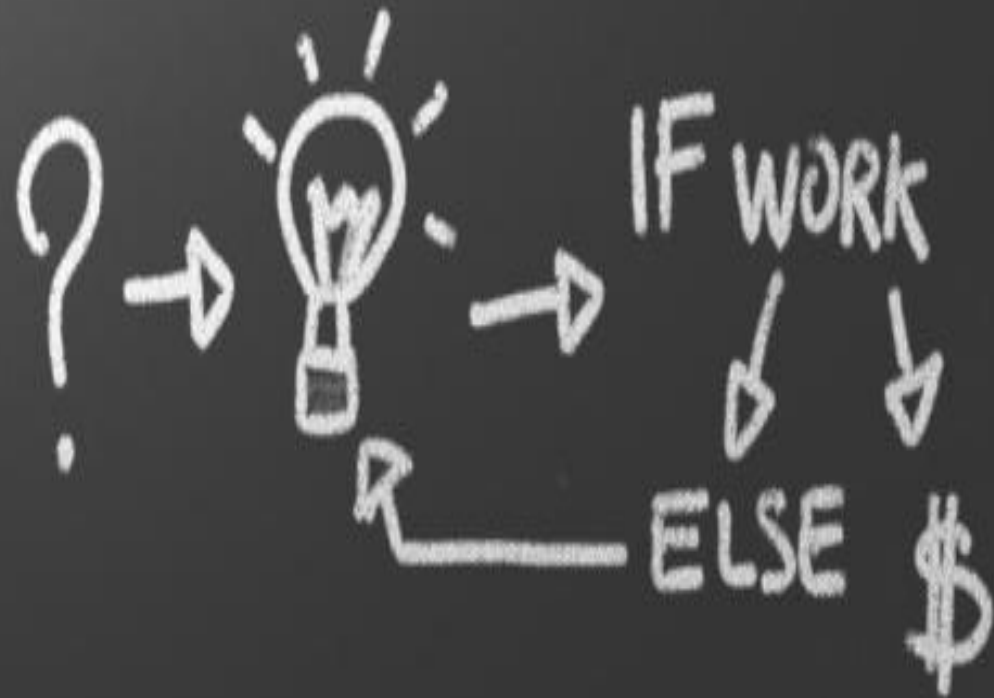
PERSONAL

- Management Profile
- Financial Statement
- Cash Flow Statement
- Tax Returns

BUSINESS

- Tax Returns
- Current Profit and Loss & Balance Sheet
- Business Plan
- Projections

BUSINESS-PLAN





**"Look what I found in the dumpster!
A perfectly good business plan!"**

Technical Assistance (TA)

- Application Preparation
- Business Planning
- Projections
- Marketing



Technical Assistance (TA)

Lee College Small Business Development Center

Steve McCorquodale, Director

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281-425-6309



**Economic Development Administration
Revolving Loan Fund
(EDA RLF)**

Stephanie Ellis

Senior Loan Officer

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