

SBA 504 LOAN PROGRAM

WHAT IS IT?	The SBA 504 loan program is designed to provide long-term, below market, fixed-rate, second lien funding for expanding businesses. The program is normally used in conjunction with conventional bank financing to provide up to a total of 90% project cost financing. Funds are available through the Greater Syracuse Business Development Corporation (GSBDC) for projects in Upstate New York.
ELIGIBLE PROJECTS	<p>Owner occupied projects should create or retain jobs or meet a community or national objective. The acquisition of land, buildings, machinery and equipment, building expansion and new construction qualify for funding. Under some circumstances leasehold improvements may be eligible. Most related soft costs are eligible, such as surveying, engineering, appraisals, environmental audits, architectural, some legal expenses, accounting and construction period interest.</p> <p>A limited amount of debt refinancing is permanently permitted if there is a business expansion. The debt refinanced must not exceed 50% of the cost of the expansion and must be less than 1/3 of total project costs.</p> <p>In addition, a temporary two-year program for refinancing existing small business commercial debt has just been approved. Details of eligible structures will be forthcoming from the Office of Management and Budget.</p>
ELIGIBLE BUSINESSES	The business concern must be creditworthy and eligible as a small business as defined by the U.S. Small Business Administration (SBA). Generally, a business is "small" if it has a tangible net worth under \$15,000,000 and does not have average net income over \$5,000,000 during the last two years. Most types of for-profit businesses are eligible except for investment and finance companies. Owners of the business will also have to pass a personal resource test.
LOAN LIMITS	<p>Normally 40% of the project cost can be covered, up to a maximum SBA 504 loan amount of \$5,000,000 or \$5,500,000 if the borrower is a manufacturer in NAICS Sectors 31, 32 or 33.</p> <p>In all cases 10% must be injected as equity by the business concern or principals. A typical project can range in size from \$200,000 up to \$13,750,000 and consists of a financial institution lending 50% in a first lien position, GSBDC providing 40% in a second position and the business concern or principals injecting 10% equity.</p> <p>Exceptions to the above are as follows: When an applicant is either a start-up business (defined as 2 years old or less) <u>or</u> the collateral is special purpose/limited use, the minimum equity is 15%, or 20% if both a start-up <u>and</u> of limited use. In these situations, the financing structure would be either 50/35/15 or 50/30/20.</p>
TERM	Ten years - Machinery and Equipment Twenty years - Real Property
INTEREST RATE	Interest rates are <u>fixed</u> and established at the time of SBA 504 loan funding. The rate (inclusive of all servicing fees) to the borrower is based on five or ten year treasury notes depending upon the loan term.

SBA 504 Loan Program Cont.

LIEN POSITION	The SBA 504 loan program is normally a second mortgage or security interest in real estate and/or machinery and equipment. Personal guarantees and key person life insurance are required.
PREPAYMENT	Prepayment is only allowed in full. A prepayment penalty will apply during the first half of the loan term. However, SBA 504 loans can be assumed by an eligible small business.
FEES	Typically, fees consist of 2.16% of the SBA 504 loan amount. These fees in addition to the GSBDC legal fees are financed 100% and added to the 504 note. In addition, a \$250 fee is required at the time of application.
APPLICATION PROCESS	<ol style="list-style-type: none">1. Business decides to expand via real estate and/or machinery and equipment acquisition.2. Business contacts GSBDC to outline project and determine eligibility.3. GSBDC provides a list of required information for complete application.4. After the application is prepared (including bank commitment), the GSBDC Loan Committee reviews with principals present. Upon Loan Committee approval, the GSBDC Board of Directors will review within days. Upon Board approval, the loan application is submitted to the SBA. Approval from SBA will usually take less than one week based upon GSBDC's "Accredited Lender" status.5. After written loan authorization is received from SBA, a project is usually started with interim financing from the primary lender. After project completion, a closing is scheduled and the permanent financing is provided.
OTHER	<p>SBA 504 mortgages through GSBDC are exempt from mortgage taxes. Therefore, a savings of 1% of the SBA 504 loan amount is provided.</p> <p>Seller-financed mortgages are allowed if subordinate to the GSBDC/SBA 504 loan.</p> <p>On new construction, up to 20% of the building may be leased to another tenant permanently and up to 40% on a temporary basis.</p> <p>If purchasing an existing building, the applicant must occupy 51% of the space. The balance may be leased, as long as no proceeds of the 504 loan are used to remodel or convert the rental space.</p> <p>Environmental reports will be required for all realty projects.</p>
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GSBDC REVOLVING LOAN FUND

WHAT IS IT?	The GSBDC Revolving Loan Fund (RLF) is a flexible loan fund available for the establishment of new businesses and the expansion of existing businesses within Central New York.
ELIGIBLE PROJECTS	The GSBDC RLF seeks to fill financing gaps that exist in public and private funding sources by funding projects which will create an above average number of jobs and provide a clear and positive economic benefit to the community.
ELIGIBLE BUSINESS	Any non-retail business that meets the objectives and criteria of the fund. Firms which manufacture a product or provide a service for sale outside the Greater Syracuse area are preferred.
TERM	Tailored to each specific loan request and need but generally commensurate with collateral provided.
INTEREST RATE	Usually fixed for term of loan. Rates will vary depending on loan type, purpose and market condition.
LIEN POSITION	When participating with another lender(s), the lien position will usually be co-equal or subordinate. Personal guarantees are required.
FEES	An application fee of \$250 is required and reimbursement of GSBDC legal fees. No other fees are usually charged.
APPLICATION PROCESS	<ol style="list-style-type: none">1. Business contacts GSBDC to outline project and determine eligibility.2. GSBDC provides application and list of other required information.3. After application is qualified by staff the GSBDC Loan Committee reviews with principals present. If satisfactory, the Loan Committee recommends approval to the GSBDC Board within days. A commitment letter is executed between GSBDC and the applicant. Upon project completion, a closing will take place.
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CENTRAL NEW YORK ENTERPRISE DEVELOPMENT FUND

WHAT IS IT?	The Central New York Enterprise Development Fund is a regional business loan program established in 1988. The program is administered by the Central New York Enterprise Development Corporation in affiliation with the CNY Regional Planning and Development Board (CNY RPDB) and operates in Cayuga, Oswego, Madison, Cortland and Onondaga counties.
ELIGIBLE PROJECTS	The goal of the Central New York Enterprise Development Fund is to support the growth of small manufacturing companies and service related businesses that will provide employment opportunities for local residents and bring new wealth and capital into the region.
INELIGIBLE PROJECTS	Debt refinancing, newspapers, medical facilities, professional offices, retail businesses, and real estate development.
ELIGIBLE BUSINESSES	Sole proprietorships, partnerships, and corporations with fewer than 100 full-time employees.
DIRECT LOANS	Working capital and fixed asset loans are available up to \$100,000 or 50 percent of the project cost, whichever is less. A 10 percent equity investment is required.
TERM	The term will vary with the purpose of the loan; typically ranging between 3 and 7 years.
INTEREST RATE	The rate varies with market conditions and is fixed for the term of the loan.
COLLATERAL	Business assets and personal guarantees required.
FEEES	\$250 application fee plus actual closing costs.
APPLICATION PROCESS	<ol style="list-style-type: none">1. Business contacts GSBDC or CNY RPDB to outline project and determine eligibility.2. Business files an application with the CNY RPDB. An application fee of \$250 is required.

Central New York Enterprise Development Fund Cont.

3. Applications are submitted by the CNY RPDB to the CNY Enterprise Development Fund Loan Advisory Committee for review and recommendation.
4. Final approval of all loan applications is made by Central New York Enterprise Development Corporation.
5. Following approval, a commitment letter is issued and a closing scheduled.
6. Loan applications are processed on a monthly basis. Processing time is 30-60 days.

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CENTRAL NEW YORK QUASI-EQUITY FUND

- WHAT IS IT?** The Central New York Quasi-Equity Fund is designed to support the growth, start-up and retention of manufacturing and producer-service firms in Central New York by providing “quasi-equity” or mezzanine type financing.
- PARTICIPANTS** The Fund currently includes two other participants: Onondaga County Industrial Development Corporation (OCIDA) and Central New York Regional Planning & Development Board (CNY RPDB).
- ELIGIBLE PROJECTS** Funds can be used for almost any purpose with an aim towards job creation. Quality and quantity of jobs are important components.
- ELIGIBLE BUSINESSES** Manufacturers and producer service businesses are eligible. Businesses which derive most of their revenues from outside Central New York are preferred. Unlike venture capital firms, our emphasis is not on companies who might go “public” or be bought out by a large non-local company.
- LIEN POSITION** Where bank financing is involved, our lien position would usually be subordinate. Otherwise, GSBDC may seek appropriate corporate and/or personal collateral.
- LOAN SPECIFICATIONS** Our risk profile falls between venture capital funds and conventional financing. Seed capital is not envisioned.
- Loans are usually undersecured or unsecured. Personal guaranties will be sought.
- The structure is typically a debt instrument. The maximum GSBDC loan would be \$100,000 but the total maximum loan size may be much higher than GSBDC’s individual maximum of \$100,000 depending upon the number of “other participants”.

Central New York Quasi-Equity Fund Cont.

TERM	Typical amortization period would be 5-7 years with a typical term of 3-5 years.
INTEREST RATE	Frequently structured with an initial period of no principal and interest payments or with an interest only period, followed by equal principal payments plus interest for the remainder of the term. The interest rates are fixed at a below-market rate.
FEES	An application fee of \$250 is required and reimbursement of GSBDC legal fees. In addition, a variable success fee is payable at the end of the term and is calculated based on the company's "success" at loan maturity. This fee will compensate GSBDC for the level of risk undertaken, fund losses, and operational expenses, etc. while helping to "pay it forward" and build the fund.
APPLICATION PROCESS	<ol style="list-style-type: none">1. Business contacts GSBDC to outline project/financing need and determine eligibility.2. GSBDC provides application and list of other required information.3. After application is qualified by staff, a meeting is scheduled with the "other Participants" (if required and approved by applicant) to determine their interest level.4. The GSBDC Loan Committee and representatives of the Participants review with principals present. If satisfactory, the Loan Committee recommends approval to the GSBDC Board within days. A commitment letter is executed between GSBDC and the applicant subject to the "other participants" participation. Upon project completion, a closing will take place.
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