

New England Certified's "Flexible Advantage" SBA 504 Loan Program

A Premier SBA 504 Lender

New England Certified Development Corporation, an affiliate of BDC Capital, offers the popular SBA 504 program to businesses for owner-occupied property. SBA 504 loans may be used for:

- The purchase of land and buildings
- New construction, renovation and leasehold improvements
- Acquisition of machinery and equipment

New England Certified consistently receives the highest rating from the SBA.

Borrowers Get Low-Cost Fixed Rates With Longer Terms And Low Down Payments

With an SBA 504 loan, a borrower obtains a first mortgage loan for 50% of the project from a bank. New England Certified then provides a second mortgage loan for 40% which is funded by SBA. Up to 90% financing means the borrower must provide only 10% equity for the project. The term of the SBA loan is 20 years for real estate and 10 years for equipment. Low interest rates fixed for 20 years for real estate and 10 years for equipment are available on the SBA portion.

Banks Get Better Flexibility and Protection

These practical loans allow banks to offer complete financing for their customers, while maintaining a 50% loan-to-value position. If needed, BDC Capital can participate in the bank's first mortgage, with an "early out" provision for the bank.

New England Certified will:

- Organize your application and complete the paperwork
- Provide the financing
- Process, close and service your loan

Eligibility

To qualify for this highly advantageous financing package from New England Certified, your business must:

- Operate for profit
- Have a tangible net worth of \$8.5 million or less
- Have an average net profit of less than \$3 million over the last two fiscal years

NECDC's next generation "Flexible Advantage" SBA 504 loan program offers considerable benefits over traditional 504 loans. We're committed to being the most creative and cost effective SBA 504 provider in New England – guaranteed! **Lowest cost and maximum flexibility** including:

- **Down payment financing** available. We will finance down payments for qualified borrowers.
- **Bridge financing** for the SBA debenture on an interim basis, if qualified, to simplify and speed up closings.
- **Working capital** loan component available if needed.
- **Streamlined, rapid approval process**
- **Lowest cost versus other alternatives**

This new program combines maximum flexibility with low cost, fixed rate loans (20 years for real estate; 10 years for machinery and equipment) in the industry. It is available in **Connecticut, Massachusetts, New Hampshire, Rhode Island, and Vermont** and can be combined with our traditional business development financing options including mezzanine and equity investments, conventional loans, and SBA 7(a) loans to complete your financing package.

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Answers to Frequently Asked Questions:

- 1) Only 10% equity needed, unless it's a new business (add 5%) or single use property (add 5%) (based on appraisal)
- 2) Refinancing limited to 50% of the expansion amount (but BDC Capital could do a similar structure with a direct loan)
- 3) Real estate vs. equipment (20 vs. 10 year term from SBA); minimum 10 year (real estate) and 7 year (equipment) term from bank
- 4) Occupancy percentages: 51% of square footage for existing building or 60% for new construction
- 5) Can use a 504 for building an addition; can do multiple 504s for one borrower
- 6) Maximum borrowing is \$2 million on the 40% piece (principal plus fees) - \$4 million for manufacturers & energy related
- 7) Prepayment penalties (half of term on a declining percentage of one year's interest; based on debenture, not effective, rate)
- 8) SBA 504 loan can be assumed by another borrower.
Contact New England Certified, not SBA, for servicing requests.
- 9) Soft costs can be included (appraisal, environmental, telephone system, interim interest, etc.) if collateral value allows
- 10) Size standards - TANGIBLE net worth of < \$8.5 million and 2 year avg. net income < \$3 million
- 11) Environmental analysis – SBA guidelines updated effective Feb. 2009 – discuss with NECDC
- 12) Appraisal – SBA guidelines updated effective August 2008 – discuss with NECDC
- 13) Wide variety of types of businesses
- 14) Cross collateralization restrictions; SBA has a clean second
- 15) Certain costs made within past 9 months can be included in project cost
- 16) Liquid asset limitations of borrowers are calculated per individual, not aggregate; must be less than total financing
- 17) Guarantees required for owners with 20% or more ownership in either operating company or real estate entity
- 18) Payment is monthly auto-debit
- 19) New England Certified uses accredited attorneys – bank can use same attorney to reduce closing costs
- 20) SBA504 debenture sale on 2nd Wed. of 2nd full week; Bridge financing by BDC Capital, if qualified, or the bank
- 21) Don't need common ownership structure of real estate and operating companies.
- 22) Can finance the project cost or appraised value, whichever is less.
- 23) Life insurance may be required
- 24) Bank gets CRA (Community Reinvestment Act) credit!

Recent DEBENTURE Rates

(Plus servicing fees as required by SBA - call for details)

2009	20 year/real estate	10 year/equipment
May	4.43%	3.31%
June	4.95%	
July	4.30%	3.19%
Aug.	4.45%	
Sept.	4.20%	3.08%
Oct.	3.92%	

SBA 504 benefits to the borrower:

- Minimal down payment – preserves working capital
- Fixed rate financing for the term – no payment uncertainties
- Mortgage style amortization, no balloons – protects against fluctuations in real estate valuations

SBA 504 benefits to the lender:

- Improved loan to value for the first mortgage
- 504 rate and term can be a competitive advantage to secure new customers
- New England Certified processes all the SBA paperwork

About working with New England Certified:

- We don't ask for a good faith deposit until we've determined that SBA approval is realistic.
- The borrower must choose a bank before we submit the request to SBA.
- BDC Capital can offer supplemental financing in addition to SBA504 loans from New England Certified.

New England Certified Development Corporation			
<i>Flexible Advantage SBA 504</i>			
<i>Debenture Pricing Estimate</i>			
<u>Project:</u>			<u>20</u> Years
Purchase	\$700,000		
Renovations	\$200,000		
M&E	\$90,000		
Soft costs	<u>\$10,000</u>		
Total:	\$1,000,000		
<u>Project Financing:</u>		Standard:	
Bank Share		50.0%	\$500,000
SBA Share		40.0%	\$400,000
Equity		<u>10.0%</u>	<u>\$100,000</u>
		100.0%	<u>\$1,000,000</u>
I. Administrative Fees on 40% SBA Share:			
1	Funding Fee	0.25%	\$1,000
2	CDC Processing Fee (\$6,000 savings)*	1.50%	\$0
3	Legal Closing Cost (max. to include is \$3,000; total may be higher)		\$3,000
	Sub Total	(Total 1 thru 3)	\$4,000
	a. Underwriting Fee Calculation		\$405,622
	b. (Item 3a. above, rounded to next highest '000)		<u>\$406,000</u>
4	Underwriting Fee	0.40%	\$1,624
	Total Fees & Legal Costs on SBA Share		<u><u>\$5,624</u></u>
	Total SBA Loan with Fees		\$405,624
TOTAL SBA DEBENTURE AMOUNT			<u><u>\$406,000</u></u>
(Total SBA Loan w/Fees & Legal Costs rounded up to next \$000)			<u><u>\$406,000</u></u>
Excess (Refunded to Borrower @ funding)			\$376
II. SBA Guarantee Fee on Bank Share: (\$2,500 savings)*		0.50%	\$0

- I. The "Administrative Fees on SBA Share" are funded with SBA's share of the project cost and are NOT paid at closing.
- II. Legal fees up to \$3,000 can be included in the debenture with any balance paid at closing.
- III. Key person life insurance may be required.

*Fees with "0" have been waived under the Economic Stimulus Bill.

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504 LOAN CHECKLIST

- _____ A balance sheet and income statement for the previous three years for the business.
- _____ Three years of corporate IRS tax returns.
- _____ A balance sheet and income statement dated within 90 days of the application together with an aging of the accounts receivable and accounts payable listed.
- _____ Personal financial statement (most recent form supplied to the Bank) for each guarantor
- _____ Two years of IRS personal tax returns for each guarantor.
- _____ A copy of key cost documents such as real estate purchase agreements, contractor cost estimates, vendor quotes for machinery and equipment, etc. List improvements you have paid for within the last nine months.
- _____ A projected, annualized income statement through the first two fiscal years after the loan with a description of assumptions attached.
- _____ For a new business, provide a proforma balance sheet with a description of assumptions attached as well as a monthly cash flow analysis for the first 12 months of operation or for three months beyond the break-even point (whichever is longer).
- _____ The names of affiliated (through ownership or management control) or subsidiary businesses as well as the last two fiscal year-end financial statements and a current financial statement for each of these firms.
- _____ An independent appraisal – see SBA guidelines - discuss with NECDC
- _____ Environmental analysis - see SBA guidelines - discuss with NECDC
- _____ A completed and signed NECDC application.
- _____ A photocopy of driver's license or state-issued ID for each guarantor.
- _____ If the borrower is intending to lease any portion of the building, those tenants need to be a sub-tenant of the operating company with copies of the lease(s) provided to us.

We will issue you a term sheet, which must be signed and returned with a "Good Faith" deposit. This deposit will be returned to you upon closing of the loan, or if either New England Certified or the SBA fails to approve the financing.

Thank you for requesting an SBA 504 term loan from New England Certified Development Corporation. We recognize that during this application process, you may have questions regarding different aspects of the transaction. Also, various members of our staff may contact you to obtain information on you and your company. Listed below are their names.

Liz Trifone

Oversees the entire loan process, from application to approval to funding the loan
500 Edgewater Drive, Suite 555, Wakefield, MA 01880
Tel 781-928-1100 x102 Fax 781-928-1101 etrifone@newengland504.com

Business Development

Carol C. Brennan (MA, CT)

20 Church St., Suite 1740, Hartford, CT 06103
Tel 860-218-2912 x204 Cell 413-237-6648 cbrennan@newengland504.com

R. P. Field Rider (ME, NH, VT)

120 Exchange St., Suite 205, Portland, ME 04101
Tel 207-773-3104 Cell 207-749-0322 frider@newengland504.com

Nancy Gibeau (South & SE Mass., RI)

40 Westminster St., Suite 702, Providence, RI 02903
Cell 508-254-7891 ngibeau@newengland504.com

John Figmic (Eastern MA)

500 Edgewater Dr., Suite 555, Wakefield, MA 01880
Tel 781-928-1122 Cell 617-872-1193 jfigmic@newengland504.com

Wakefield, Massachusetts (team fax: 781-928-1101)

Credit Administration:

Thomas J. Barry 781-928-1100 x106 tbarry@newengland504.com

Commercial Loan Assistant:

Ms. Thuy (“Tway”) Dang 781-928-1100 x113 tdang@newengland504.com

Underwriting:

Karen M. Michalski 781-928-1100 x107 kmichalski@newengland504.com

Closing and Funding:

Susan Forrester 781-928-1100 x108 sforrester@newengland504.com

Loan Servicing:

Joe O’Garro 781-928-1100 x105 jogarro@newengland504.com

Hartford, Connecticut (formerly Commercial Loan Partners, Inc.)

20 Church St., Suite 1740, Hartford, CT 06103 (team fax: 860-218-2913)

Underwriting:

Miriam E. Wood 860-218-2912 x201 mwood@newengland504.com

Closing and Funding:

Carol Muradian 860-218-2912 x207 cmuradian@newengland504.com