



## WHAT IS THE 504 PROGRAM?

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

## WHO CAN QUALIFY?

- ✓ Most for-profit, owner-occupied small businesses in the U.S.
- ✓ Net worth less than \$15.0 million
- ✓ Net profit after tax (2 year average) of no more than \$5.0 million (including affiliates)

## ELIGIBLE USE OF FUNDS

- ✓ Land
- ✓ Acquisition of Existing Building
- ✓ New Construction
- ✓ Fixed Assets from Business Acquisition
- ✓ Building Expansion/Renovation
- ✓ Long-Term Equipment
- ✓ Professional Fees
- ✓ Lender's Interim Points & Interest
- ✓ Debt Refinance (Expansion Projects – debt refi may not exceed 50% of the new expansion costs)



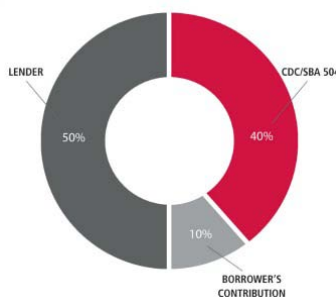
## INELIGIBLE USE OF FUNDS

- ✓ Working Capital
- ✓ Inventory
- ✓ Goodwill Assets from Business Acquisition
- ✓ Franchise Fees
- ✓ Tenant Improvements

## OCCUPANCY

- ✓ 51% for Existing Facilities /Buildings (renovations and expansions are eligible)
- ✓ 60% for Ground-Up Construction Projects (must occupy 80% within ten years)

## PROJECT STRUCTURE\*



\*typical structure, injection requirement increases with NEW & Special Purpose Projects

## INTEREST RATE AND TERMS

- ✓ Fixed-Rate - based on Treasury Rates
- ✓ Fully-Amortized over life of loan (No Balloon)
- ✓ Real Estate - 20-year term
- ✓ Machinery & Equipment – 10 - year term
- ✓ Rate “locks-in” when the SBA funds the debenture

## MAXIMUM LOAN (SBA PORTION)

- ✓ \$5.0 million (Typical Project)
- ✓ \$5.5 million (Manufacturers)
- ✓ \$5.5 million (if certain Energy Public Policy Goals are met)
- ✓ No Maximum Limit placed on participating lender's loan portion

## 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 both a Start-Up and Special-Purpose Property
- ✓ Equipment-Only loans may qualify with 10% or 15% injections

## JOB CREATION/RETENTION

- ✓ One job for every \$65,000 of the debenture (for most projects)
- ✓ One job for every \$100,000 of the debenture (for manufacturers)
- ✓ Projects are excluded from the job requirement if a Public Policy Goal is fulfilled

# SBA 504 Loan Appraisal Requirements



- ✓ Appraiser must be independent (no appearance of a conflict of interest) and State-Licensed or State-Certified. (Certification required if estimated value is over \$1,000,000.)
- ✓ Appraisal must be prepared in compliance with Uniform Standards of Professional Appraisal Practice (USPAP). (the SBA will not accept a “*Restricted Appraisal Report*”)
- ✓ For credit reasons the SBA requires that the Appraisal discuss at least two (2) methods of valuation.
- ✓ The following must be named intended users of the Appraisal and the report must be addressed to (1) the Bank **and** (2) the CDC **and** (3) the SBA as follows:

U.S. Small Business Administration  
6501 Sylvan Road, Suite 111  
Citrus Heights, CA 95610-5017

Indiana Statewide Certified Development Corporation  
4181 East 96<sup>th</sup> Street, Suite 200  
Indianapolis, IN 46240

- ✓ With new construction or substantial renovation the Appraisal must estimate what the market value will be at completion of construction. This should be an “*as complete*” value as the SBA will **not** accept an “*as stabilized*” value.
- ✓ When the collateral is an existing building that does not require construction, the Appraiser should estimate market value on an “*as-is*” basis or the narrative must explain why the “*as-is*” basis was not used.
- ✓ If the appraisal engagement letter asks for a business enterprise or going concern value, the appraiser must allocate separate value to the individual components, including land, building, equipment and business (including intangible assets).
- ✓ If the collateral is a special purpose property, the appraiser must be experienced in the particular industry.

**Credit Not Available without SBA Assistance**

Business Name: \_\_\_\_\_

Lender: \_\_\_\_\_

Date: \_\_\_\_\_

**CDC must substantiate that credit is not available elsewhere by discussing acceptable factors that demonstrate an identifiable weakness in the credit. CDC must include the specific reasons why Applicant does not meet the Lender’s conventional loan policy requirements.**

We (Lender) would not be able to assist the subject borrower with the proposed project financing without SBA 504 participation due to the following reason(s):

- The business needs a longer maturity than our lending policy permits.  
*For Example: The business needs a loan that is not on a demand basis.*
- The requested loan exceeds our limit regarding the amount we can lend to one customer.
- The collateral does not meet our policy requirements.
- Our policy normally does not allow loans to new businesses or businesses in the Applicant’s Industry.
- There are other factors relating to the credit (such as business and personal credit history) that, in our opinion, cannot be overcome except for the SBA 504 loan.

Please provide details for the item(s) checked above or provide another explanation of why the Applicant does not meet the Lender’s conventional loan policy requirements:

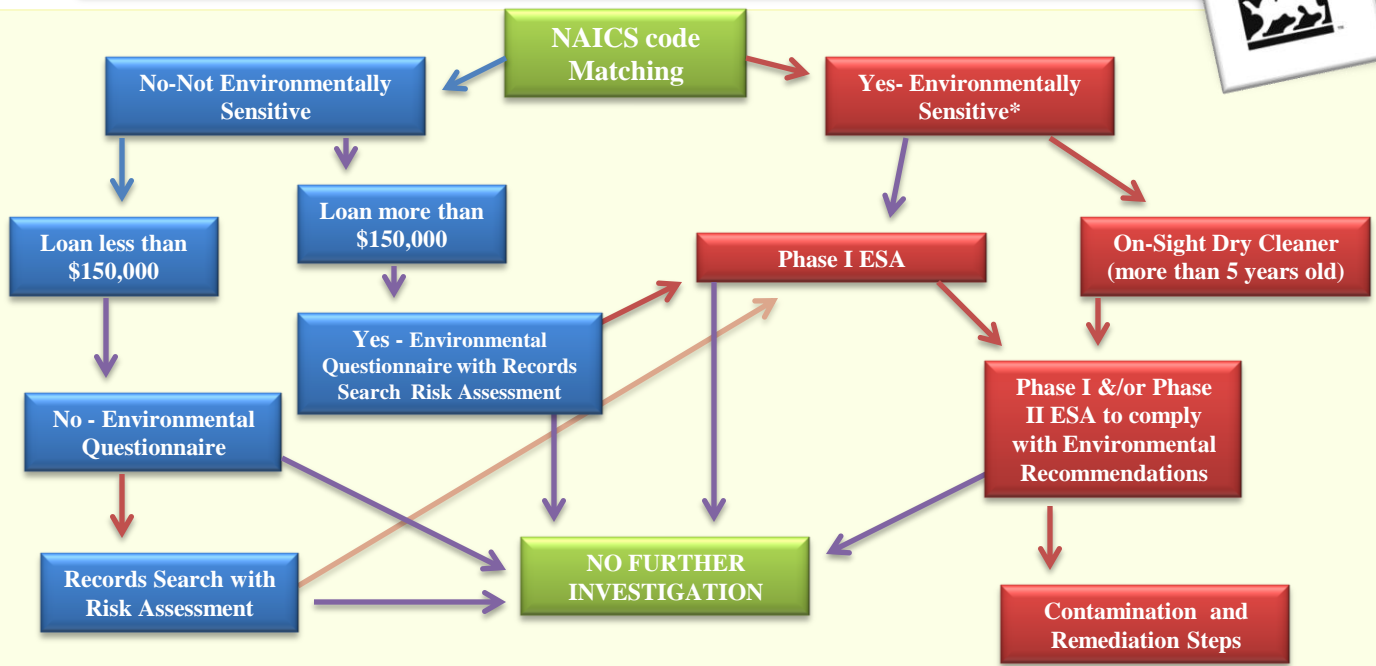
---

---

---

---

# Environmental Flow Chart & Sensitive Industries



## NAICS CODES OF ENVIRONMENTALLY SENSITIVE INDUSTRIES\*

- 211 OIL & GAS EXTRACTION
- 212 MINING (EXCEPT OIL & GAS)
- 213 SUPPORT ACTIVITIES FOR MINING
- 237 HEAVY & CIVIL ENGINEERING CONSTRUCTION
- 311 FOOD MANUFACTURING (if underground fuel tanks present)
- 312 BEVERAGE & TOBACCO PRODUCT MANUFACTURING
- 313 TEXTILE MILLS (not required if sewing, weaving, or hemming only)
- 314 TEXTILE PRODUCT MILLS (not required if sewing, weaving, or hemming only)
- 316 LEATHER & ALLIED PRODUCT MANUFACTURING
- 321 WOOD PRODUCT MANUFACTURING (if finishing occurs on site)
- 322 PAPER MANUFACTURING
- 323 PRINTING & RELATED SUPPORT ACTIVITIES
- 324 PETROLEUM & COAL PRODUCTS MANUFACTURING
- 325 CHEMICAL MANUFACTURING
- 326 PLASTICS & RUBBER PRODUCTS MANUFACTURING
- 327 NONMETALLIC MINERAL PRODUCTS MANUFACTURING
- 331 PRIMARY METAL MANUFACTURING
- 332 FABRICATED METAL PRODUCT MANUFACTURING
- 333 MACHINERY MANUFACTURING (not required if assembly only)
- 334 COMPUTER & ELECTRONIC PRODUCT MANUFACTURING (not required if assembly only)
- 335 ELECTRICAL EQUIPMENT, APPLIANCE & COMPONENT MANUFACTURING (not required if assembly only)
- 336 TRANSPORTATION EQUIPMENT MANUFACTURING
- 337 FURNITURE & RELATED MANUFACTURING (if finishing occurs on site)
- 339 MISCELLANEOUS MANUFACTURING (only required if hazardous materials are involved)
- 42311 AUTOMOBILE & OTHER MOTOR VEHICLE MERCHANT WHOLESALERS (if service bays present)
- 42314 MOTOR VEHICLE PARTS (USED) MERCHANT WHOLESALERS
- 4235 METAL & MINERAL MERCHANT WHOLESALER
- 42393 RECYCLABLE MATERIAL MERCHANT WHOLESALER
- 4246 CHEMICAL & ALLIED PRODUCTS MERCHANT WHOLESALERS
- 4247 PETROLEUM & PETROLEUM PRODUCTS MERCHANT WHOLESALERS

- 441 MOTOR VEHICLE AND PARTS DEALERS (if service bays present)
- 447 GASOLINE STATIONS
- 45431 FUEL DEALERS (not required for propane or firewood dealers)
- 481 AIR TRANSPORTATION
- 482 RAIL TRANSPORTATION
- 486 PIPELINE TRANSPORTATION
- 53212 TRUCK, UTILITY TRAILER, AND RV (RECREATIONAL VEHICLE) RENTAL & LEASING (if repairs, maintenance or vehicle washing are performed onsite)
- 53241 CONSTRUCTION, TRANSPORTATION, MINING & FORESTRY MACHINERY & EQUIPMENT RENTAL & LEASING (if repairs, maintenance or vehicle washing are performed onsite)
- 53249 OTHER COMMERCIAL & INDUSTRIAL MACHINERY & EQUIPMENT RENTAL & LEASING (if repairs, maintenance or vehicle washing are performed onsite)
- 54138 TESTING LABORATORIES
- 56171 EXTERMINATING & PEST CONTROL
- 562 WASTE MANAGEMENT & REMEDIATION SERVICES
- 6221 GENERAL MEDICAL & SURGICAL HOSPITALS (if fuel tanks are present)
- 71391 GOLF COURSES & COUNTRY CLUBS
- 71392 SKIING FACILITIES
- 71393 MARINAS
- 7212 RV (RECREATIONAL VEHICLES) PARKS & RECREATIONAL CAMPS (if fuel tanks are present or if vehicle repairs or maintenance is performed onsite)
- 8111 AUTOMOTIVE REPAIR & MAINTENANCE (except for "car wash only" facilities, for which a Transaction Screen is an acceptable starting point)
- 8112 ELECTRONIC & PRECISION EQUIPMENT REPAIR & MAINTENANCE (not required if assembly only)
- 8113 COMMERCIAL & INDUSTRIAL MACHINERY & EQUIPMENT REPAIR & MAINTENANCE
- 8122 DEATH CARE SERVICES
- 8123 LAUNDRY & DRY CLEANING SERVICES (if dry cleaning operations have ever existed on site)
- 812921 PHOTOFINISHING LABORATORIES (except one hour)

\*A Phase I should always be obtained if the business sells, supplies or dispenses fuel, gasoline, heating oil, even if the NAICS code for the business is not identified on this list of environmentally sensitive industries.

A complete list of industries and corresponding NAICS codes is available online at <http://www.census.gov/eos/www/naics/>.

# SBA 504 Loan Environmental Requirements



## General Requirements:

- ✓ The SBA requires an Environmental Investigation of all commercial property upon which a security interest is offered for the loan.
- ✓ Depending on the prior and current uses of property and the amount of the loan one or more of the following will be required:
  - Questionnaire
  - Records Search with Risk Assessment (RSRA) AND a Questionnaire
  - Phase I
  - Phase II

## Timing of Environmental Investigation:

- ✓ The Environmental Investigation can be submitted **Pre-Application** or the 504 loan can be approved **Subject To** the Environmental Investigation.
- ✓ If a potential environmental issue exists it is advisable to provide the investigation as soon as possible in an effort to obtain pre-approval while beginning the application process.
- ✓ It is strongly recommended that SBA approval of the Environmental Investigation be obtained *before closing and disbursing the Interim and Permanent loans.*

## Which Environmental Investigation is Required:

- ✓ See attached *SBA Environmental Flow Chart*.
- ✓ If past or present NAICS Codes are a match for an “environmentally sensitive” industry as defined on the attached list, then a Phase I Environmental Site Assessment is required. Certain uses – gas stations, dry cleaners, buildings constructed prior to 1978, etc. – have additional requirements. *Additional information is included in this packet.*
  - The Phase I must draw a conclusion and specifically state that no further investigation is warranted.
  - All recommendations of the Environmental Professional must be addressed.
- ✓ If there is no NAICS Code match or the Property is a unit in a multi-unit building, then for loans over \$150,000, a Records Search with Risk Assessment (RSRA) AND an Environmental Questionnaire would be required.
- ✓ If the SBA debenture amount will be \$150,000 or less, a Questionnaire may be all that is required.

## Addressing the Report & SBA Reliance Letter:

- ✓ Please address the Report as follows:

Indiana Statewide Certified Development Corp. and U.S. Small Business Administration  
4181 E. 96<sup>th</sup> Street, Ste. 200  
Indianapolis, IN 46240

- ✓ The SBA will require that the Environmental Professional Provide an SBA Reliance Letter for each report. *The Reliance Letter is included in this packet.* Along with the letter the Environmental Company must also provide proof of Professional Liability or Errors and Omissions Insurance with coverage of \$1,000,000 per claim or occurrence, as indicated in the Reliance Letter.

# Environmentally Sensitive Industries



## NAICS CODES OF ENVIRONMENTALLY SENSITIVE INDUSTRIES\*

- 211 OIL & GAS EXTRACTION
- 212 MINING (EXCEPT OIL & GAS)
- 213 SUPPORT ACTIVITIES FOR MINING
- 237 HEAVY & CIVIL ENGINEERING CONSTRUCTION
- 311 FOOD MANUFACTURING (*if underground fuel tanks present*)
- 312 BEVERAGE & TOBACCO PRODUCT MANUFACTURING
- 313 TEXTILE MILLS (*not required if sewing, weaving, or hemming only*)
- 314 TEXTILE PRODUCT MILLS (*not required if sewing, weaving, or hemming only*)
- 316 LEATHER & ALLIED PRODUCT MANUFACTURING
- 321 WOOD PRODUCT MANUFACTURING (*if finishing occurs on site*)
- 322 PAPER MANUFACTURING
- 323 PRINTING & RELATED SUPPORT ACTIVITIES
- 324 PETROLEUM & COAL PRODUCTS MANUFACTURING
- 325 CHEMICAL MANUFACTURING
- 326 PLASTICS & RUBBER PRODUCTS MANUFACTURING
- 327 NONMETALLIC MINERAL PRODUCTS MANUFACTURING
- 331 PRIMARY METAL MANUFACTURING
- 332 FABRICATED METAL PRODUCT MANUFACTURING
- 333 MACHINERY MANUFACTURING (*not required if assembly only*)
- 334 COMPUTER & ELECTRONIC PRODUCT MANUFACTURING (*not required if assembly only*)
- 335 ELECTRICAL EQUIPMENT, APPLIANCE & COMPONENT MANUFACTURING (*not required if assembly only*)
- 336 TRANSPORTATION EQUIPMENT MANUFACTURING
- 337 FURNITURE & RELATED MANUFACTURING (*if finishing occurs on site*)
- 339 MISCELLANEOUS MANUFACTURING (*only required if hazardous materials are involved*)
- 42311 AUTOMOBILE & OTHER MOTOR VEHICLE MERCHANT WHOLESALERS (*if service bays present*)
- 42314 MOTOR VEHICLE PARTS (USED) MERCHANT WHOLESALERS
- 4235 METAL & MINERAL MERCHANT WHOLESALER
- 42393 RECYCLABLE MATERIAL MERCHANT WHOLESALER
- 4246 CHEMICAL & ALLIED PRODUCTS MERCHANT WHOLESALERS
- 4247 PETROLEUM & PETROLEUM PRODUCTS MERCHANT WHOLESALERS
- 441 MOTOR VEHICLE AND PARTS DEALERS (*if service bays present*)
- 447 GASOLINE STATIONS
- 45431 FUEL DEALERS (*not required for propane or firewood dealers*)
- 481 AIR TRANSPORTATION
- 482 RAIL TRANSPORTATION
- 486 PIPELINE TRANSPORTATION
- 53212 TRUCK, UTILITY TRAILER, AND RV (RECREATIONAL VEHICLE) RENTAL & LEASING (*if repairs, maintenance or vehicle washing are performed onsite*)
- 53241 CONSTRUCTION, TRANSPORTATION, MINING & FORESTRY MACHINERY & EQUIPMENT RENTAL & LEASING (*if repairs, maintenance or vehicle washing are performed onsite*)
- 53249 OTHER COMMERCIAL & INDUSTRIAL MACHINERY & EQUIPMENT RENTAL & LEASING (*if repairs, maintenance or vehicle washing are performed onsite*)
- 54138 TESTING LABORATORIES
- 56171 EXTERMINATING & PEST CONTROL
- 562 WASTE MANAGEMENT & REMEDIATION SERVICES
- 6221 GENERAL MEDICAL & SURGICAL HOSPITALS (*if fuel tanks are present*)
- 71391 GOLF COURSES & COUNTRY CLUBS
- 71392 SKIING FACILITIES
- 71393 MARINAS
- 7212 RV (RECREATIONAL VEHICLES) PARKS & RECREATIONAL CAMPS (*if fuel tanks are present or if vehicle repairs or maintenance is performed onsite*)
- 8111 AUTOMOTIVE REPAIR & MAINTENANCE (*except for "car wash only" facilities, for which a Transaction Screen is an acceptable starting point*)
- 8112 ELECTRONIC & PRECISION EQUIPMENT REPAIR & MAINTENANCE (*not required if assembly only*)
- 8113 COMMERCIAL & INDUSTRIAL MACHINERY & EQUIPMENT REPAIR & MAINTENANCE
- 8122 DEATH CARE SERVICES
- 8123 LAUNDRY & DRY CLEANING SERVICES (*if dry cleaning operations have ever existed on site*)
- 812921 PHOTOFINISHING LABORATORIES (*except one hour*)

\*A Phase I should always be obtained if the business sells, supplies or dispenses fuel, gasoline, heating oil, even if the NAICS code for the business is not identified on this list of environmentally sensitive industries.

A complete list of industries and corresponding NAICS codes is available online at <http://www.census.gov/eos/www/naics/>.