

COMPARISON OF PRIMARY FINANCING SOLUTIONS

Program Description

Program Name	Conventional Loans	SBA 7(a) - Regular, CLP, PLP, LowDoc, PreQual, SBAExpress	USDA Rural Development B&I
Type of Program	Asset based term loan	Loan guarantee	Loan guarantee
Funding Limits	Bank lending limit	Loans up to \$2MM	Loans up to \$25MM
Guarantee Limits		85% on loans up to \$150M 75% on loans over \$150M with maximum guarantee of \$1MM per business + affiliates.	80% on loans up to \$5MM 70% on loans up to \$10MM 60% on loans up to \$25MM
Purpose of Program	Commercial loans	Provides loan guarantees to lenders unable to provide conventional financing to small businesses.	Provide loan guarantees to lenders to improve the economic and environmental climate in rural communities (Pop. Less than 50,000).
Eligible Projects	Start-ups, expansions, acquisitions and operational expenses.	Start-ups, expansions, acquisitions and operational expenses.	Start-ups, expansions, acquisitions and operational expenses.
Eligible Use of Funds	Land, buildings, M&E, F&F, inventory, working capital and debt refinance.	Land, buildings, M&E, F&F, inventory, term working capital, eligible soft costs and debt refinance which improves cash flow 20%.	Land, buildings, M&E, F&F, inventory, term working capital, eligible soft costs and debt refinance which improves cash flow. Refinance of bank's own debt limited to 50% of project. Can't be used as a LOC or for agricultural
Eligibility Issues	Legal character of owners.	Size of Business Affiliates - Sales or employment For Profit Business <i>Debt Ref - 10%</i> Personal liquid assets of owners. <i>serv. up, etc</i> Legal character of owners.	Size not an issue. Can be publicly traded. Open to For Profit & Non Profit Businesses Rural location. Community pop. < 50M Legal character of owners.
Ineligible Businesses		Non Profits, real estate investment, gambling, pyramid sales, illegal activities.	Lending, investment, & insurance companies, golf courses, gambling facilities, illegal activities.

Financing Parameters

Interest Rate	Bank determines based on risk; rate can be variable or fixed for the term of the loan, Common rate may be based on 3 year Treasuries plus 3.5%.	Based on Wall St. Journal Prime			Market interest rates ; determined by lender, may be fixed or variable.		
		Loan Amt	Term	Max Rate			
		< \$25M	< 7 yrs	P + 4.25%			
		< \$25M	7 yrs or >	P + 4.75%			
		\$25M to 50M	< 7 yrs	P + 3.25%			
		\$25M to 50M	7 yrs or >	P + 3.75%			
		> \$50M	< 7 yrs	P + 2.25%			
		> \$50M	7 yrs or >	P + 2.75%			
		Guarantee portion can be sold on the secondary market on a variable or fixed basis.			Guarantee portion can be sold on the secondary market on a variable or fixed basis.		
Term	3 years	Life of asset being financed			Life of asset being financed		
		Land & Bldg	25 yrs	Maximum	Land & Bldg	30 yrs	Maximum
		M&E, F&F	10 yrs	Maximum	M&E, F&F	15 yrs	Maximum
		Working Capital	10 yrs	Maximum	Working Capital	7 yrs	Maximum
		Mixed use - blended term			Mixed use - blended term		
Amortization	Life of the assets		Same as the term of the loan				
	Land & Bldg	15 yrs					
	M&E, F&F	7-10 yrs					
	Working Capital	3-7 yrs					
Borrower Fees	Normal and customary closing fees.		Based on loan size.				
			Loan Amt	Fee %	Fee is on		
			\$150M or less	1.00%	guaranteed		
			\$150M to \$700M	2.50%	portion of loan.		
		Over \$700M	3.50%				
Lender Fees	None		0.25% annual servicing fee charged on the guaranteed portion's outstanding balance.				
			None				

Credit Criteria (5C's of Credit)

Capital - Borrower's Contribution	20% contribution	Sufficient contribution so that business has a Proforma Debt to Worth ratio of 4 to 1. If strong debt service coverage, Debt to Worth ratio can be higher.	Based on GAAP prepared financial statements New Business - 20% or > Tangible Net Worth Existing Business - 10% or > Tangible Net Worth Can't use balance sheet enhancements such as standby debt or appraisal surplus.			
Cash Flow - Debt Service Coverage	Bank determines if historic and projected debt service coverage is adequate.	1.20 times coverage of pro forma debt based on the historic performance of the company. Lower coverage ratios should be supported by increases in capacity, changes in operation, access to new markets, etc.	Bank determines if historic and projected debt service coverage is adequate. Feasibility study necessary with some industries and may be necessary with a new or existing business unless bank is willing to waive.			
Character - Management Conditions - Industry/Market	Bank determines adequacy of management and the current status of the industry and market.	In general, experienced management and strong historic performance in the market will offset weakness in net worth, historic debt service coverage and collateral coverage. New businesses and inexperienced management should be supported with sound market research and management assistance strategies.	Bank addresses the adequacy of management and the current status of the industry and market. Again, feasibility study may be necessary unless bank is willing to waive.			
Collateral	1 to 1 coverage on bank's discounted basis including non project assets.		Pledge of available collateral required but determined on a case by case basis.			
	Average liquidation values		Average liquidation values			
	Real Estate	70% - 80%	Value used based on strength of asset.	Real Estate	70% - 80%	Value used based on strength of asset.
	Equipment	30% - 50%		Equipment	30% - 50%	
	Inventory	20% - 30%		Inventory	20% - 30%	
	A/R	20% - 30%		A/R	20% - 30%	
	Personal and applicable corporate guarantees may be required.		Personal Guarantee required from CEO and stockholders with 20% or > voting ownership. Corporate guarantees where applicable.	Personal Guarantee required from CEO and stockholders with 20% or > voting ownership. Corporate guarantees where applicable.		

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Program Description

Program Name	WHEDA Small Business Loan Guarantee	SBA 504	Industrial Revenue Bonds
Type of Program	Loan guarantee	Long Term, Fixed Rate, Subordinated Debt Financing	Low interest bonds sold to fund fixed assets.
Funding Limits	Loans up to \$750M	SBA 504 portion up to \$1.0MM; some cases \$1.3MM	Project limited by \$10MM capital expenditure cap.
Guarantee Limits	Max guarantee lesser of 80% or \$200M on loans up to \$750M. For Working Capital max guarantee is lesser of 80% or \$80M on loans up to \$250M.	SBA 504 portion of project (up to 40%) is 100% SBA guaranteed in 2nd collateral position. Bank has 1st on 50% of the project but no guarantee.	
Purpose of Program	Assist in expansion or acquisition of existing businesses. Assist in start-up of daycare or Sm Bus. in vacant downtown storefront in rural	To service the long-term credit needs of small business, the program utilizes creative loan structuring to provide long-term fixed rate financing on fixed	Financing construction, enlargement or equipping of manufacturing plants. Program is an incentive for businesses to undertake capital investment.
Eligible Projects	Business must be at least 1 yr old. Expansions, acquisitions. Some special start-ups.	New and existing businesses, expansions and acquisitions.	Manufacturing businesses & some others, which are start-ups, expansions, and acquisitions.
Eligible Use of Funds	Land, buildings, M&E, F&F, inventory, term and revolving working capital, eligible soft costs (not to exceed 5% of project) and refinance debt at maturity. Refinance of debt limited to 50% of project.	Land, buildings, equipment, leasehold improvements and project related eligible soft costs including appraisals, surveys, interim construction interest, and professional fees.	Land, construction, equipment, and cost of issuing bonds.
Eligibility Issues	Must be unable to obtain reasonable conv. financing. Business must employ 50 or fewer FTE employees, be located in WI. & create/retain jobs. Owner actively involved in business & current on child	Net worth below \$6MM Average net income for prior 2 yrs less than \$2MM. Create/Retain 1 Job per \$35M of Debeenture Owners' personal liquid assets & legal character.	Must be a manufacturing business, or an operator of sewage, solid waste, transit or dock/wharf facilities.
Ineligible Businesses	Businesses that do not meet the eligibility criteria above or are involved in illegal activities.	Non Profits(except sheltered workshops), RE Investment, private clubs, gambling, pyramid sales, illegal	Non-manufacturing, retail, service, etc.

Financing Parameters

Interest Rate	Market interest rates not to exceed Prime + 2.75%; determined by lender, may be fixed or variable.	SBA 504 Debeenture portion of project 10 Year Debeenture - 5 yr Treasuries plus approx. 21 Year Debeenture - 10 yr Treasuries plus approx. Bank portion of 504 project Market interest rates not to exceed Prime + 2.75% at the time of debeenture sale. Determined by lender, may be fixed or variable	Negotiated. Can be fixed and/or variable. The bond issue is usually supported by a letter of credit from a bank. The bank charges an annual fee on the bond amount, which is customarily 1.25%. The bonds are sold at rates that have historically been 1-2% below corporate bond rates. The effective interest rate is the combination of the letter of credit fee and bond rate.
Term	No secondary market is currently available for the guaranteed portion of WHEDA loans. Life of asset being financed	Bank's portion can be sold on the secondary market on a variable or fixed basis. SBA 504 Land & Bldg 20 yrs M&E 10 yrs Bank's portion 20 yr Debeenture 10 yr minimum 10 yr Debeenture 7 yr minimum	Determined on a case by case basis, 35 years is the program maximum. Letter of Credit term usually 3 to 5 years. Can be structured to service principal of more costly money first.
Amortization	Mixed use - blended term Amortization may exceed the term of the guarantee but cannot exceed the useful life of the security.	Debeenture - Mixed use uses dominant use to set term. SBA 504 - Same as the debeenture term Bank Portion - at least the minimum allowable term of the Bank loan. However, can be over longer period.	Life of the assets Land & Bldg 20 to 25 yrs M&E 5 to 10 yrs
Borrower Fees	1.75% fee on the guaranteed portion of the loan.	Based on loan size. Debeenture Term SBA 504 Fee 20 yrs Approx. 2.77% + \$2,500 10 yrs Approx. 2.84% + \$2,500 Bank's Portion - determined by Bank	Fees include bond counsel fees, underwriter fees and trustee fees. Customarily fees range from 1.5% to no more than 2.0% of the bond proceeds.
Lender Fees	0.25% annual servicing fee charged on the guaranteed portion's outstanding balance.	One time 0.50% fee charged on the Bank's 1st collateral position on project assets.	None

Credit Criteria (5C's of Credit)

Capital - Borrower's Contribution	Sufficient contribution so that business has a tangible Proforma Debt to Worth ratio of 4 to 1 or less unless RMA median industry standards support higher ratio. Cash or non-cash equivalent owner project equity of no less than 10%.	10% - Minimum Contribution 15% Min. - Special purpose asset or new business 20% Min. - Special purpose asset and new business Proforma Debt to Worth ratio of 4 to 1. If strong debt service coverage, Debt to Worth ratio can be higher.	The ability to obtain IRB financing is based on the strength of business being financed. Contribution to the specific project is based on the company maintaining a strong equity position (often 2 to 1 or better).
Cash Flow - Debt Service Coverage	1.20 times coverage of pro forma debt based on projections. Current ratio of 1:1 or better.	1.10 times coverage of pro forma debt based on the historic performance of the company. Lower coverage ratios should be supported by increases in capacity, changes in operation, access to new markets, etc.	Bank determines if historic and projected debt service coverage is adequate when issuing supporting letter of credit.
Character - Management Conditions - Industry/Market	Management has at least 2 yrs experience in related business ventures. Market - Borrower in an industry with stable trends and/or Borrower has a favorable competitive position and demonstrated market demand.	In general, experience management and strong historic performance in the market will offset weakness in net worth, historic debt service coverage and collateral coverage. New businesses and inexperienced management should be supported with sound market research and management assistance strategies.	Bank determine adequacy of management and the current status of the industry and market when issuing supporting letter of credit.
Collateral	Minimum collateral coverage of 110% of FMV. Minimum collateral coverage of 80% using standard liquidation values.	Pledge of available collateral required but determined on a case by case basis. Average liquidation values Real Estate 70% - 80% Equipment 30% - 50% Inventory 20% - 30% A/R 20% - 30% Value used based on strength of asset	1 to 1 coverage on bank's discounted basis including non project assets. Average liquidation values Real Estate 70% - 80% Equipment 30% - 50% Inventory 20% - 30% A/R 20% - 30% Value used based on strength of asset.
	Personal Guarantees may be required from stockholders with 20% or > voting ownership. Corporate guarantees where applicable.	Personal Guarantee required from CEO and stockholders with 20% or > voting ownership. Corporate guarantees where applicable.	Personal and applicable corporate guarantees may be required. Letter of Credit often secured with real estate..