

BUSINESS & INDUSTRY GUARANTEED LOANS (B&I)

USDA, RURAL DEVELOPMENT
(RD)

April 7, 2011



Committed to the future of rural communities.

Process overview

- Start with a phone call
- Pre-application
- Meeting with all parties
- Application
- RD starts environmental review process
- RD Loan approval committee review
- Obligation of funds

Applicant Eligibility

- Applicant may be a sole proprietor, cooperative, corporation, LLC
 - Can be a for profit or not-for-profit
 - Can be a public body
- Businesses can include manufacturing, wholesaling, retailing or service oriented
- Business must provide employment; or improve economic or environmental climate.

Applicant Eligibility

- Applicant must be a U.S. Citizen or reside in the U.S. after being admitted for permanent residence.
- Corporations must have at least 51% U.S. citizen ownership.
- Project must be located in a rural area.
 - Refer to website:
<http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

Eligible Loan Purposes

- **Real Estate**
- **Machinery & Equipment**
- **Term Working Capital**
- **Business Acquisitions**
- **Tourism & Recreation**
- **Hotels & Motels**
- **Refinancing (including existing lender debt)**

Ineligible Loan Purposes

- Insurance Companies
- Race Tracks
- Golf Courses
- Revolving Lines of Credit

Guarantee Limits

- Minimum loan amount \$400,000
- \$750,000 to \$5,000,000 is an 80% Guarantee
- \$5,000,000 to \$10,000,000 is a 70% Guarantee
- Average Loan is over \$3,000,000
- One time Fee of 2% of the Guaranteed Portion of Loan
- Annual Renewal Fee of .25%

Loan Terms (maximums)

- Real Estate - 30 Years
- Machinery and Equipment - 15 Years
- Term Working Capital - 7 Years

Credit Quality

- Cash Flow –
 - Structure debt so that the business has adequate debt coverage and the ability to accommodate expansion
- Collateral
 - Loans must be fully collateralized based on discounted values consistent with sound loan-to-value policy.
 - Personal or corporate guarantees are required for those owning more than 20% of the applicant.

Credit Quality

- Equity
 - Existing Businesses - Minimum of 10% Tangible Book Equity
 - New Businesses - Minimum of 20% Tangible Book Equity
 - Unable to Count Subordinated Debt or Appraisal Surplus Towards Equity Calculation

Tangible Equity Calculation

All values are based on depreciated cost basis

	Total Assets
<u>Less</u>	<u>Intangible Assets</u>
Equals	Total Tangible Assets

	Total Equity
<u>Less</u>	<u>Intangible Assets</u>
Equals	Total Tangible Equity

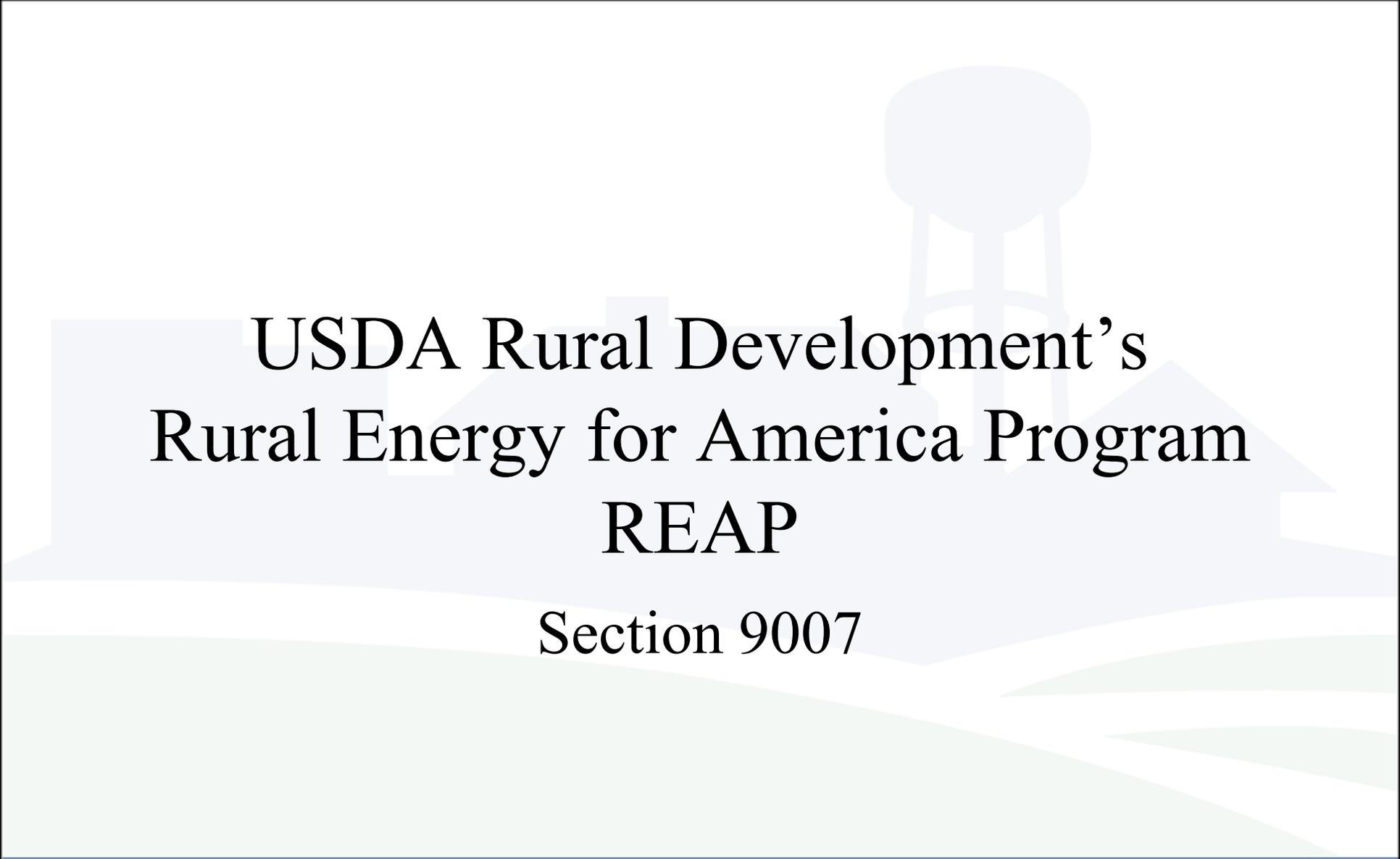
Total Tangible Equity / Total Tangible Assets = Tangible Equity percentage

Greater than **10%** for Existing Businesses

Greater than **20%** for New Businesses

Next Steps

- Start with a phone call to our office as early on as possible
- Submit requested (and available) pre-application information:
 - Cover letter with some basic information
 - Copy of current and past three years financial statements
 - Preliminary Business Plan for Start-up business
 - Lender's written analysis and spreads if available
- File Formal Application



USDA Rural Development's Rural Energy for America Program REAP

Section 9007

Purpose

- Program is designed to help **agricultural producers and rural small businesses** reduce energy costs and energy consumption in order to help meet the nation's critical energy needs.
- Application window for this program is open year round and funding availability is announced once per year.
- **Not for residential purposes**

Grant Amounts

- Grant amount will not exceed 25% of eligible costs.
 - Renewable Energy Maximum \$500,000
 - Energy Efficiency Maximum \$250,000
 - Minimum grant is \$2,500 & \$1,500
 - Maximum assistance to any one individual or entity is \$750,000.
 - Grant assistance is taxable. A 1099 will be sent to the grant recipient.

Energy Loan Guarantees

- \$10,000,000 maximum
- 70% to 85% guarantee
- 1% guarantee fee + renewal fee (0.25%)
- Covers up to 50% of project costs when combined with a REAP grant and up to 75% of project costs without a REAP grant

Renewable Energy Projects

- Biomass and Bioenergy Projects
- Anaerobic Digester Projects
- Geothermal, Electric Generation
- Geothermal, direct use
- Hydrogen production from renewables
- Solar, small and large; Electric and Thermal
- Wind, small and large

Energy Efficiency Projects

- Freezer & Cooler Replacement
- Lighting Improvement
- Electric Motor Replacement
- Gas Boiler Replacement
- Insulation
- Documented efficiency improvements per an energy audit

Application (Environmental)

- Three levels of review
 - Categorical Exclusion
 - Equipment purchases, refinancing, Renovations of existing buildings less than 50 years old, and term working capital
 - Class I Environmental Assessment
 - Construction projects outside the existing footprint of the building, small wind turbines, anaerobic digesters
 - Class II Environmental Assessment
 - Construction of Hotels, Nursing Homes, Assisted Care Facilities, Water and sewer projects, large wind turbines

Additional Information

- Program can be used with State of Ohio grant and loan programs
- Database of State Incentives for Renewables & Efficiency: <http://dsireusa.org/>
- REAP applications and tools: http://www.rurdev.usda.gov/ia/rbcs_RE-EE_grants.html

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