

2018

SBA 7a Loan

Things borrowers should know and understand

Disclosure

2018

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A modern office interior featuring a long, light-colored wooden conference table surrounded by grey upholstered chairs. In the background, a large black television is mounted on a white wall. To the left, there are two large glass panels. To the right, a glass partition reveals a lounge area with a grey sofa and a floor lamp. A tall, thin metal coat rack stands near the glass partition.

Straight Talk

The only way to do business

You are the client

What is an SBA 7a loan?

How does it benefit you?

A large, faint, blue SBA logo is centered in the background. It consists of a stylized 'S' and 'B' inside a square frame, with a red horizontal bar at the bottom of the frame.

**SBA 7a loans are the most used
loan used by small business**

U.S. Small Business
Administration

Why does it matter to you?

What borrowers need to know.

CH Capital Partners, LLC



We specialize in Business Real Estate

Assisted Living Facilities

Hotel & Motels

Restaurants

Gas Stations & Convenient Stores

Franchises related to Real Estate

Others*

*others based on \$1MM or higher

Why SBA 7a loan matters to you?

CH Capital Partners, LLC require \$1MM and over

SBA 7a loans allow borrower to use high leverage to purchase businesses and real estate assets

10% down as of January 2018

Medical Practice

Attorney's

Independent Pharmacies

Gas Stations

Franchises

Dental Practice

Architects

Ethnic Grocery Stores

Child Care

Many others

CPA's

Hotelier

Auto Repair Shops

Physical Therapy

Why SBA 7a matters to you?

SBA 7a loan

SBA 7a loan is based on collateral, cash flow is important not required; it will be based on the lender. SBA 7a loan is a guarantee given by the federal government and the lenders determine what is appropriate for their policy.

SBA 7a loan real estate loan

Two types of rates:

Fixed

Variable

Purchase strategy for you

Scenario

Purchase Price: \$7,000,000

Type of Property: Retail Property (51% occupied by your business)

Down Payment: 10% (after Jan 2018) \$700,000

Bank Loan: \$6,300,000

Bank Loan: SBA 7a loan \$5,000,000 & Bank Loan \$1,300,000 Pari Passu (Piggy Back Structure)

One loan payment for borrower

Why does it matter to you?

Benefit of Purchase:

Trump Tax cut for small business real estate buyer:

1. Cost Segregation
2. Section 179 deduction for small business

Example: Purchase \$7MM Business Building (51% owner occupied)

Depreciation: \$1.9MM*

Net Operating Loss strategy changed. In 2018, for flow through entity can forward NOL indefinitely, but can only use \$500K for Joint Filing Married and can only deduct 80% of taxable income. Borrowers can reduce taxes.

Purchase strategy for you

Example:

Law Firm decides to buy a building:

Purchase Price: \$2MM

Estimated Depreciation using cost segregation: \$560K (estimate)

First Year taxable income: \$300K

First year deduction 80% = \$240K deduction (\$60K taxable income)

Second year Net Operating Loss Balance \$320K

Please contact your tax and legal advisor to review your personal situation

2018

**SBA 7a
refinance
options for
real estate**

**SBA 7a
refinance
to another
SBA 7a loan**

**Refinance
significantly
benefits the
small business**

SBA 7a refinance option



If you have an SBA 7a loan currently

You can go to another lender request a different term for your SBA 7a loan, if your current lender cannot modify the loan terms because the loan has been sold, and if you can document this, SBA may approve a new loan.

Example: Variable Rate to Fixed Rate

SBA 7a refinance options

Just few options



Long-term debt with a balloon



Working capital



Business credit card



Business Inventory



Revolving credit line



Business expansion

Strategies for you

Subject Property: Medical Building

Fair Market Value: \$4,500,000

Existing Loan: \$2,500,000

Needs: Working Capital: \$300,000

Equipment: \$300,000

Total Loan: \$3,100,000 with 21.80 Year Amortization

\$2.5MM 25 Year, \$300K 10 Years, and \$300k 7 Years

Strategies to have multiple SBA loans to grow

SBA Multiple Loans

Max out SBA 7a Loan: \$5MM

Use SBA 504 Green Loan: Cumulative of \$16.5 Million

Hotel #1: \$7MM - SBA 7a Loan: \$5.25MM

Hotel #2: \$10MM - SBA 504 Green Loan: \$8MM SBA Portion: \$2.8MM

Hotel #3: \$10MM - SBA 504 Green Loan: \$8MM SBA Portion: \$2.8MM

Hotel #4: \$10MM - SBA 504 Green Loan: \$8MM SBA Portion: \$2.8MM

Hotel #5: \$10MM - SBA 504 Green Loan: \$8MM SBA Portion: \$2.8MM

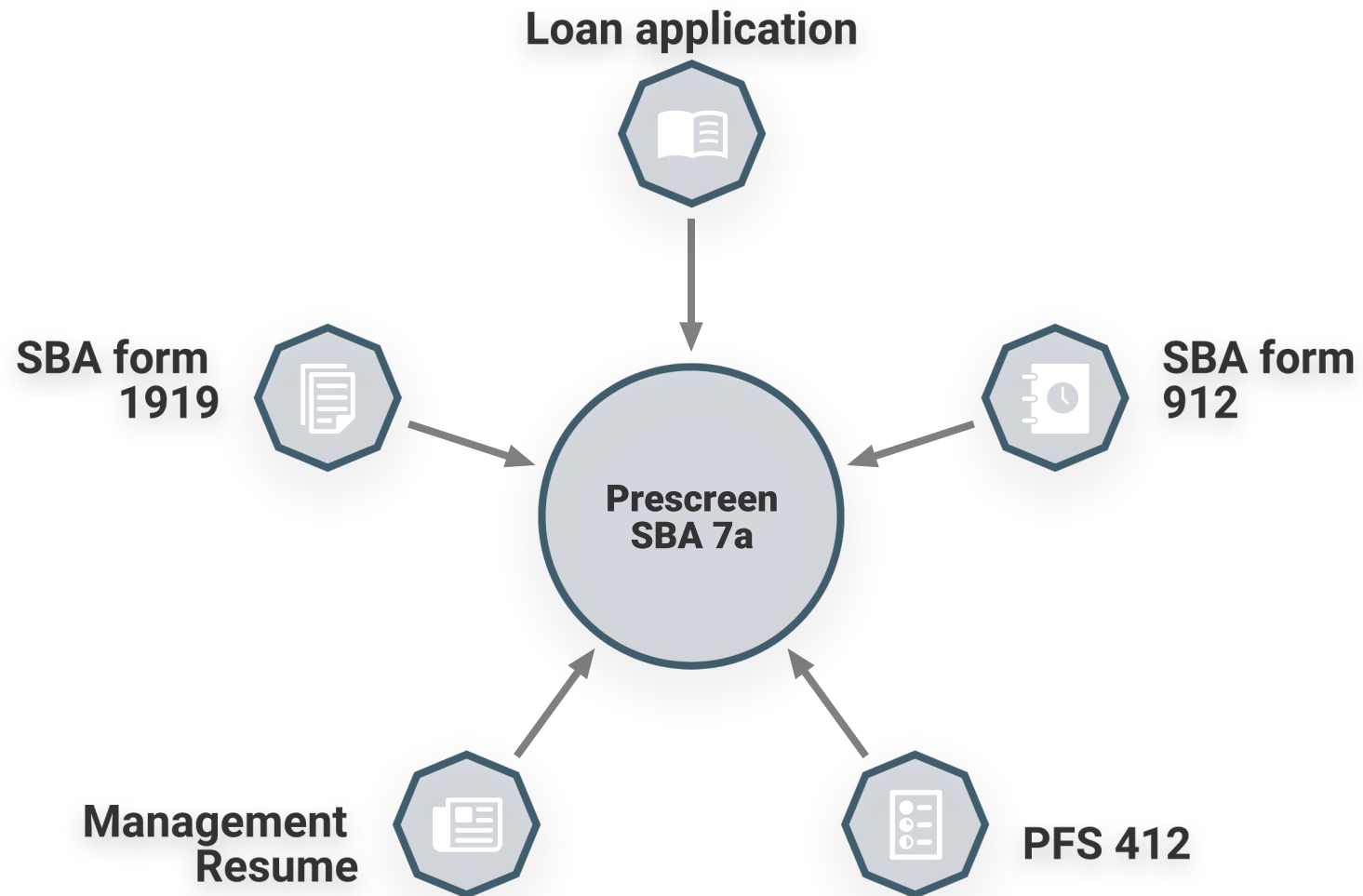
Hotel #6: \$10MM - SBA 504 Green Loan: \$8MM SBA Portion: \$2.8MM

Hotel #7: \$10MM - SBA 504 Green Loan: \$8MM SBA Portion: \$2.5MM

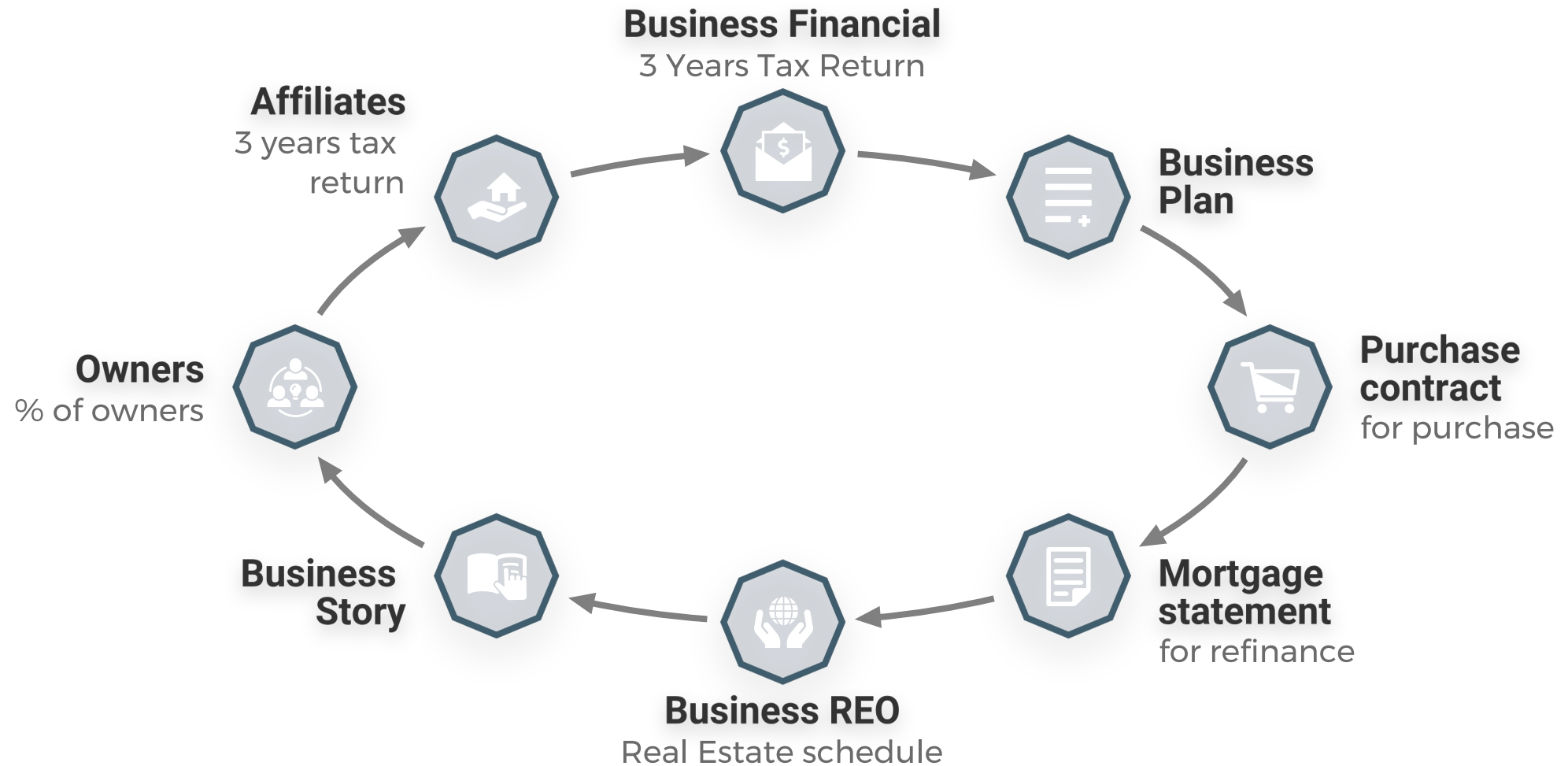
The strategies above will be dependent on community development companies which represents SBA and lenders(Third Party Lenders)

**Items needed
for the loan**

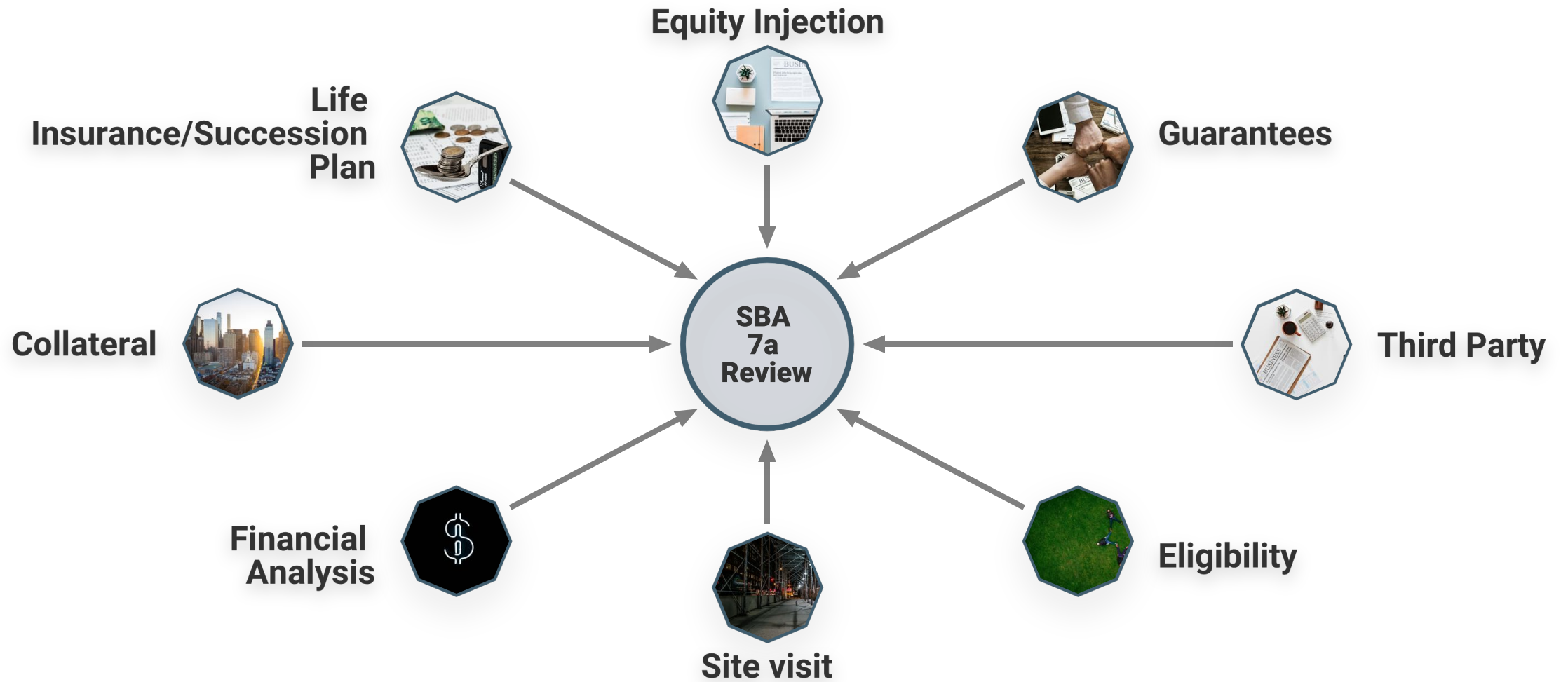
SBA 7a prescreen



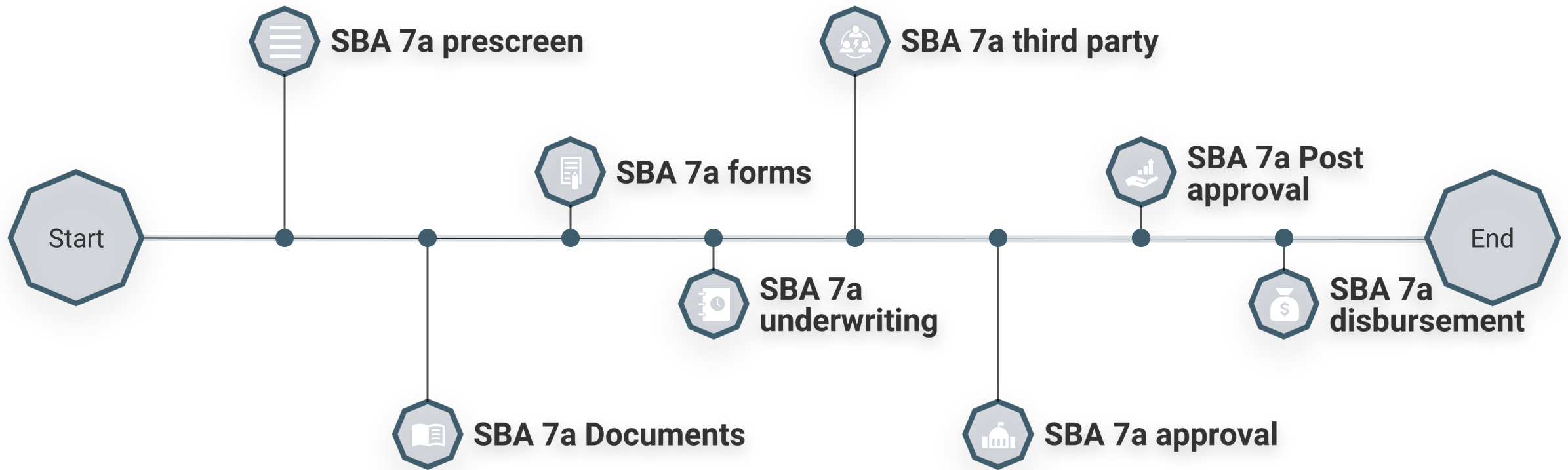
SBA 7a supporting documents



SBA 7a review



SBA 7a loan process



SBA 7a loan can be short or long term loan

Prepayment is simple

Declining prepay fees

3,2,1 years of prepay:

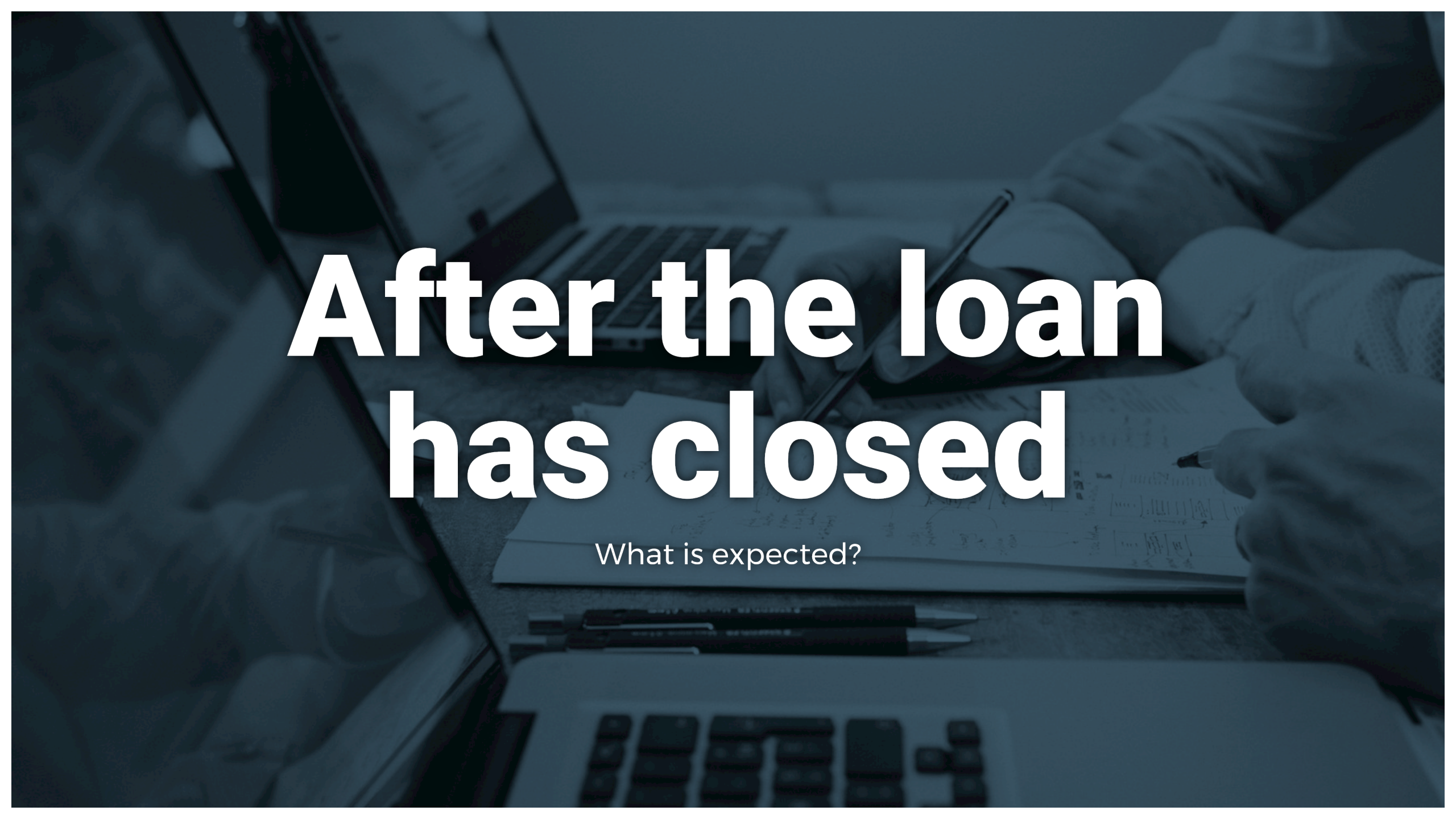
First Year 5

Second Year 3

Third Year 1

Loan is not assumable

If the borrower sells their property, they will have to pay for the prepaids in the first 3 years.



After the loan has closed

What is expected?

SBA 7a payments



SBA 7a loan is a bank or lender driven loan guaranteed by federal government

ACH is required

Banks servicing agent

Some cases, banks do not service their loans

Request the servicing agent

Financial Reporting Requirement

Financial covenants requirement of the loan agreement.

Paul's Plumbing Co. PROFIT AND LOSS January 1 - September 29, 2016	
	TOTAL
Income	
Sales	2,234.00
Services	4,025.00
Total Income	\$6,259.00
Cost of Goods Sold	
Cost of Goods Sold	750.00
Supplies & Materials - COGS	1,000.00
Total Cost of Goods Sold	\$1,750.00
Gross Profit	\$4,509.00
Expenses	
Advertising	8.47
Bank Charges	50.00
Job Materials	2,750.00
Total Expenses	\$2,808.47
Net Operating Income	\$1,700.53
Other Income	
Other Income	500.00
Total Other Income	\$500.00
Net Other Income	\$500.00
Net Income	\$2,200.53

Income Statement

Paul's Plumbing Co. BALANCE SHEET As of September 29, 2016	
	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
Bank of America Checking	3,076.72
Bank of America Checking, 9876	4,050.00
Bank of America Checking, x6789	4,000.00
Bank of America Savings, x5643	2,250.00
Petty Cash	175.00
Wells Fargo Checking, 1234	375.00
Total Bank Accounts	\$13,926.72
Other current assets	
Inventory Asset	2,000.00
Undeposited Funds	2,050.00
Total Other current assets	\$4,050.00
Total Current Assets	\$17,976.72
TOTAL ASSETS	\$17,976.72
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Credit Cards	
Bank of America Visa, x7421	4,100.00
Wells Fargo Credit Card	7,220.20
Total Credit Cards	\$11,320.20
Total Current Liabilities	\$11,320.20
Total Liabilities	\$11,320.20
Equity	
Opening Balance Equity	3,955.99
Retained Earnings	
Net Income	2,700.53
Total Equity	\$6,656.52
TOTAL LIABILITIES AND EQUITY	\$17,976.72

Balance Sheet

Paul's Plumbing A/P AGING SUMMARY As of September 30, 2016						
	CURRENT	1 - 30	31 - 60	61 - 90	91 AND OVER	TOTAL
Brosnahan Insurance Agency		241.23				\$241.23
Diego's Road Warrior Bodyshop	755.00					\$755.00
Norton Lumber and Building Mat...		205.00				\$205.00
FOAE			86.44			\$86.44
Robertson & Associates		315.00				\$315.00
TOTAL	\$755.00	\$761.23	\$86.44	\$0.00	\$0.00	\$1,602.67

AP Aging Report

Paul's Plumbing A/R AGING SUMMARY As of September 30, 2016						
	CURRENT	1 - 30	31 - 60	61 - 90	91 AND OVER	TOTAL
Amy's Bird Sanctuary		239.00				\$239.00
Bill's Windsurf Shop			85.00			\$85.00
Freeman Sporting Goods	477.50	4.00	81.00			\$562.50
Geeta Kalapatapu	629.10					\$629.10
Jeff's Jalepies		81.00				\$81.00
John Melton		450.00				\$450.00
Kookies by Kathy			75.00			\$75.00
Mark Cho	314.28					\$314.28
Paulsen Medical Supplies	954.75					\$954.75
Red Rock Diner	70.00			156.00		\$226.00
Rondonwuu Fruit and Vegi	78.60					\$78.60
Shara Barnett		274.50				\$274.50
Sonnenschein Family Store	362.07					\$362.07
Suphi by Katsuyuki	80.00	80.00				\$160.00
Tavis Waldron	414.72					\$414.72
Weiskopf Consulting	375.00					\$375.00
TOTAL	\$3,756.02	\$1,129.50	\$241.00	\$156.00	\$0.00	\$5,281.52

AR Aging Report

SBA 7a loans

Strengths

Many lender options
Fixed Rate
Variable Rate
National, Regional and Local Lenders

S

Weaknesses

Too many lenders
Too expensive
Too many bankers turnover
Few experts in the industry

W

Opportunities

Everyone knows SBA 7a loans
Variable to fixed rate loans
Many options for borrowers

O

T

Threats

Many regulations
Too much paperwork
Maximum of \$5MM in loan
Variables rates are not the best solution in rising interest rate environment

CH Capital Partners, LLC

Our Team



**Kellee
Cordell-Galbraith**
Managing Director
CEO & MBA



Sok Cordell
Managing Director
CSO



Mats Nordgren
Managing Director
CTO



Chris A. Adams
Managing Principal
Esq.

The American Dream

Let's grow

Changing the conversation
CH Capital Partners, LLC