

2018

USDA BI Loan

Things borrowers should know and understand

Disclosure

2018

This presentation was prepared by CH Capital Partners, LLC, and reflects the current opinions of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation. CH Capital Partners, LLC does not provide tax or legal advice. Please notify your tax or legal advisor before using any strategy in this presentation. CH Capital has not been endorsed by USDA or any financial institutions.

Two sharpened pencils are positioned diagonally in the upper left corner of the frame. The background is a solid, dark blue color. The pencils are dark in color, and their sharp tips are clearly visible.

Straight Talk

The only way to do business

You are the client

What is a USDA BI loan?

How does it benefit you?

**The United States Department of
Agriculture (USDA) guarantees
loans for small business &
real estate investors in rural
communities with with less
than 50,000 in population**

Why does it matter to you?

What borrowers need to know

CH Capital Partners, LLC



We specialize in Business Real Estate

Any type of Real Estate:

Businesses

Investment property

Strip Malls

Hotels

Gas Stations

Manufacturing

Farms

Others*

*others based on \$1MM or higher

Why USDA BI loan matters to you?

CH Capital Partners, LLC requires projects \$1MM and over

USDA BI Loans

Office
Retail
Strip Mall
Industrial
Hotel
Manufacturing Facilities
Gas Stations
Grocery Stores
Farms
Food Manufacturing
Many others

USDA BI Loans

Construction Loans
Refinance
Inventory
Machinery Financing
Working Capital
Projects with New Market Tax Credit
Business expansion
Start up cost
Business Modernization

USDA BI Loans

Who can borrow?
Publicly Traded Companies
Private Companies
For Profit and non-profit
Companies
Tribal Groups
cooperatives
others

Why USDA BI matters to you?

USDA BI loan

USDA BI loan is based on Rural communities with 50,000 population and under. There are minimal requirements and is not based on owner occupied. Commercial real estate

USDA BI loan

Tangible Equity requirement is 10% for existing business and 20% for new businesses. Tangible equity is based on GAAP accounting and any alternative accounting needs to be adjusted to reflect it. Example: Bonus depreciation needs to be adjusted according to GAAP to reflect the tangible equity. Additional collateral will be accepted to reflect 10% tangible equity.

USDA BI Loan

USDA requires one of the three method of financial reporting: Compiled, Reviewed and Audited Financials. It is based on the lenders. Similar to SBA 7a, USDA BI is a guaranteed loan program from the federal government. This loan is lender driven product. Each lenders will have their own policies.

Purchase strategy for you

Scenario

Purchase Price: \$10,000,000

Type of property: Retail Center

Down Payment: 20% \$2,000,000

Bank Loan: \$8,000,000 Loan with 30 Year Amortization

Bank Loan: USDA BI Guaranteed Loan Bank loan

One loan payment for borrower

Why does it matter to you?

Benefit of Purchase

Trump Tax cut for small business & real estate investors:

1. Cost Segregation
2. Section 179 deduction for small business & real estate investors

Example: Purchase \$6.5MM Retail Building (owner or non owner occupied)

Depreciation: \$1.82MM

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

Purchase strategy for you

Example

Gas Station owners purchases business

Purchase Price: \$2MM

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

First Year taxable income: \$200K

First Year deduction 80% = \$160K deduction (\$40K taxable income)

Second Year Net Operating Loss Balance \$400K

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

USDA BI refinance options for real estate

**Refinance existing
business & real estate
with better rate
& term with 50%
maximum increase
in existing loan**

**Debt refinance will
be accepted with
improve cash flow
and create new
or existing jobs**

Strategies for you

Subject Property: Office Building

Fair Market Value: \$5,500,000

Existing Loan: \$2,500,000

Tenant Improvement: \$350,000

Equipment: \$150,000

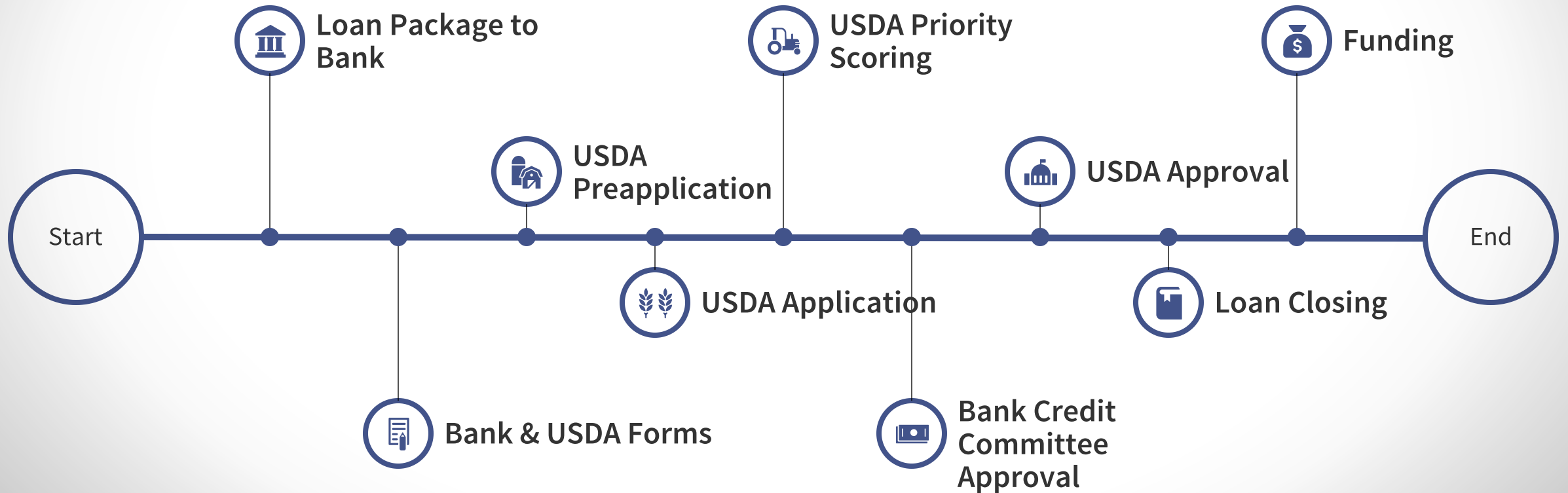
Total Loan: \$3,000,000 with 27.5 Year Amortization

Real Estate: 30 Years, Tenant Improvement* 15 Years, and Equipment* 15 Years

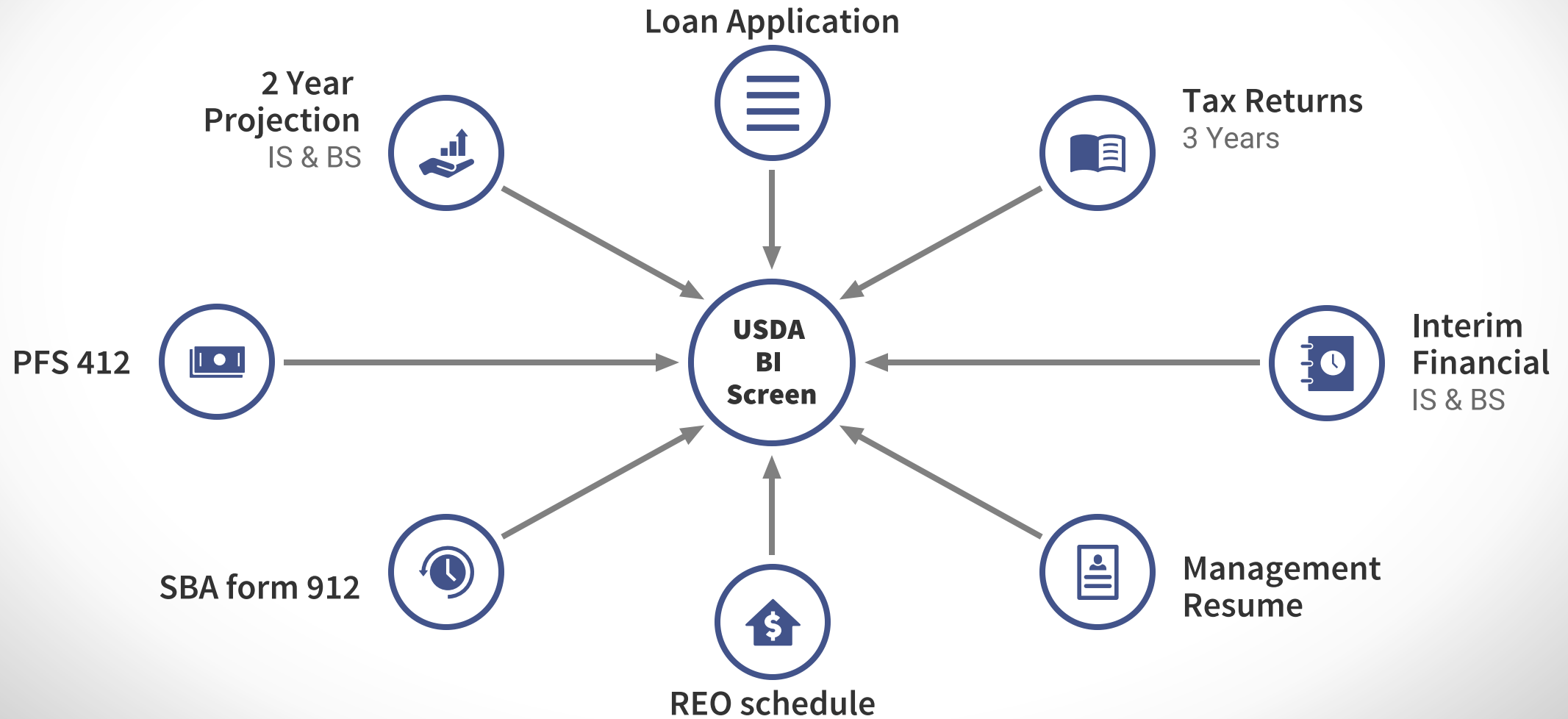
* 15 years or the economic life of machinery & tenant improvement

**Items needed
for the loan**

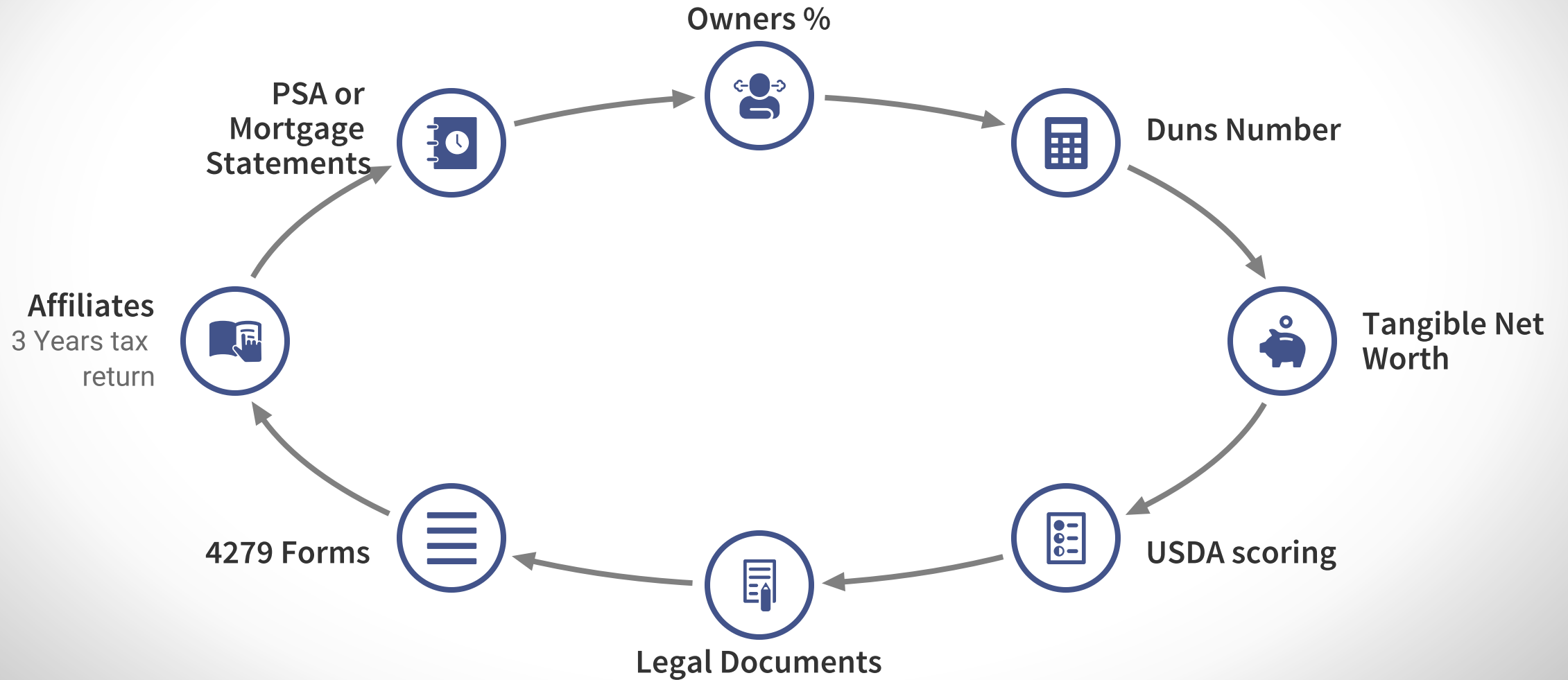
USDA BI loan Process



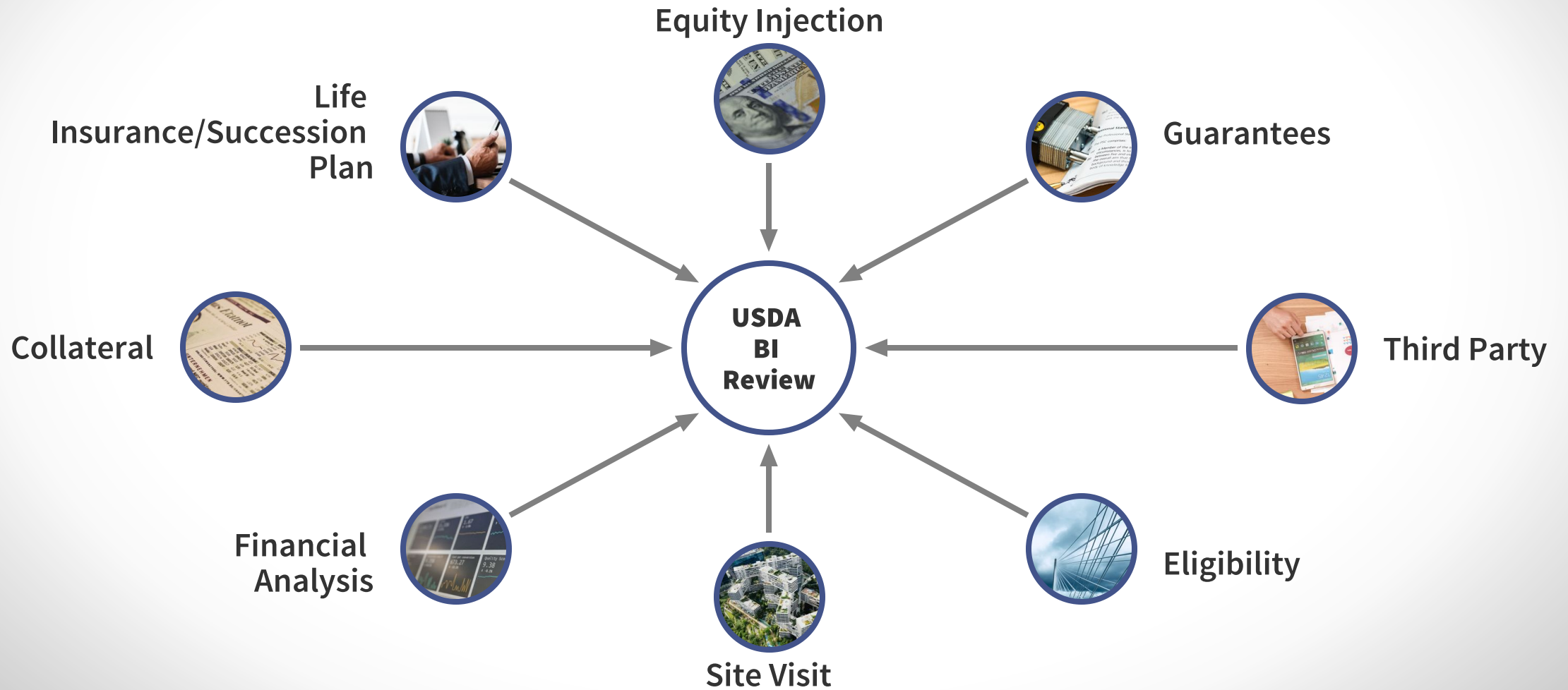
USDA BI prescreen



Items to consider



USDA BI review



USDA BI loan can be short or long term loan

Declining prepay fees

5,4,3,2,1 for 5 Year Fixed

7,6,5,4,3,2,1 for 7 Year Fixed

10,9,8,7,6,5,4,3,2,1 for 10 Year Fixed

with multiple prepayment structures

Rates

Variable or Fixed

Loan is assumable

It is based on the lender.



After the loan has closed

What is expected?

Lender driven product



USDA BI loan is a bank or lender driven loan guaranteed by the federal government

ACH is required

Bank servicing agent

Some cases, banks do not service their loans

Request the servicing agent

Annual financial reporting requirement

One of the three



Compiled Financial Statement



Reviewed Financial Statement



Audited Financial Statement

Quarterly financial reporting requirement

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
Bronsahan Insurance Agency		241.23				\$241.23
Diego's Road Warrior Bodyshop	755.00					\$755.00
Norton Lumber and Building Mat...		205.00				\$205.00
PG&E			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
Any's Bird Sanctuary		239.00				\$239.00
Bill's Window Shop			85.00			\$85.00
Freeman Sporting Goods	477.50	4.00	81.00			\$562.50
Greta's Kalamazoo	629.10					\$629.10
Jeff's Jalepeno		81.00				\$81.00
John Malton		450.00				\$450.00
Kookles 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
Rondonuwa Fruit and Vegi	78.60					\$78.60
Share Barnett		274.50				\$274.50
Sonnenschein Family Store	362.07					\$362.07
Sushi by Katsuyuki	80.00	80.00				\$160.00
Tavie Watson	414.72					\$414.72
Weiskopf Consulting	375.00					\$375.00
TOTAL	\$3,756.02	\$1,128.50	\$241.00	\$156.00	\$0.00	\$5,281.52

AR Aging Report

USDA BI loan

Strengths

30 Year Amortization
All types of properties & business
\$25MM using SBA 504 second lien program

S

Weaknesses

Long Process
Limited Funds
Each State has their own process

W

Opportunities

Very few lenders know USDA BI loan
New banks and lenders coming into the market
Education for CEO of lending industry

O

Threats

Current Administration wants to reduce budget
Uncertainty of future

T

CH Capital Partners, LLC

Our Team



Kellee Cordell-Galbraith

Managing Director
CEO & MBA



Sok Cordell

Managing Director
CSO



Mats Nordgren

Managing Director
CTO



Chris Adams

Managing Principal
Esq.

The American Dream

Let's grow

Changing the conversation
CH Capital Partners, LLC