

## **Business Finance Group ([www.bfgloan.com](http://www.bfgloan.com)) - \$8 million SBA 504 Real Estate Loan**

*By Mark D. Austin*

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*Business Finance Group (BFG) successfully arranged an \$8 million combination 1st Conventional Mortgage/SBA 504 real estate financing for our client to purchase the remaining ownership interest in their commercial property held by an investor.*

The client, an aerospace company located in Corona, CA, manufactures aircraft parts. FIG has successfully arranged several separate financing transactions for this client (after assisting them with a financial turnaround from the negative affects of "9-11"), including refinancing equipment leases in 2004, financing the purchase of a 5-axis gantry machine in 2005, obtaining revolving line of credit in 2006, and financing the purchase of a 4-axis horizontal machine in 2007. All of the financings improved our client's cash flow and allowed them to successfully expand their business horizons. To successfully fund the latest transaction, we had to address the following:

**1. Buy-Out Real Estate Investor's 55.56% Ownership Interest in Property:**

The purchase option period and terms were unusually complex (investor is an attorney). For instance, the option to purchase could not be exercised prior to a certain date and had to be completed by a certain date. We assisted the client with navigating and understanding the option terms and had been involved with monitoring to assure the option period requirements were met. We noted early on that the property ownership was held as "Tenants in Common" insuring SBA 504 eligibility.

**2. Buy-Out Accomplished Without Additional Injection by Client:**

We were aware that we could exceed the SBA 504 maximum allowable financing threshold because the financing met SBA public policy goals. We successfully convinced the 1st conventional mortgage lender to provide financing exceeding their published maximum loan amount by \$1 million. Because we were able maximize our client's financing and convince the bank and the SBA additional equity injection was not necessary, our client did not have to provide any additional cash from the business to complete this transaction.

**3. Locked-In Lower Fixed Rate Before Recent Rate Hikes and Obtained 6-Month Forward Commitment:**

In December 2006, we were able to obtain a fixed rate lock for our client before the recent increase in market interest rates. Our client's funding rate was approximately 1% below current comparable market fixed rates. Also, to accommodate the seller's 1031 exchange requirements, we obtained a 6-month forward commitment without the need for updated appraisal or environmental reports.

While many SBA lending participants have either substantially reduced or eliminated their SBA loan participation, Business Finance Group (BFG), with its core community bank lending partners, has continued to be a very active participant and is positioned well to assist small businesses to take advantage of the latest positive developments for the SBA 7(a) lending program, including potential Recovery Act 2009 tax savings, both which provide much needed cash savings as the economic recovery progresses..

BFG has more than 40 years of combined SBA lending experience. Please call one of our qualified staff to discuss how Business Finance Group can provide small business financing assistance.

BFG successfully assists businesses expand their business horizons.

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Business Finance Group (BFG) specializes in arranging financing for small to medium size businesses through its network of lenders committed to lending to the small to medium size business community.

Category Sba 504, Real Estate Purchase, Small Business Loan  
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