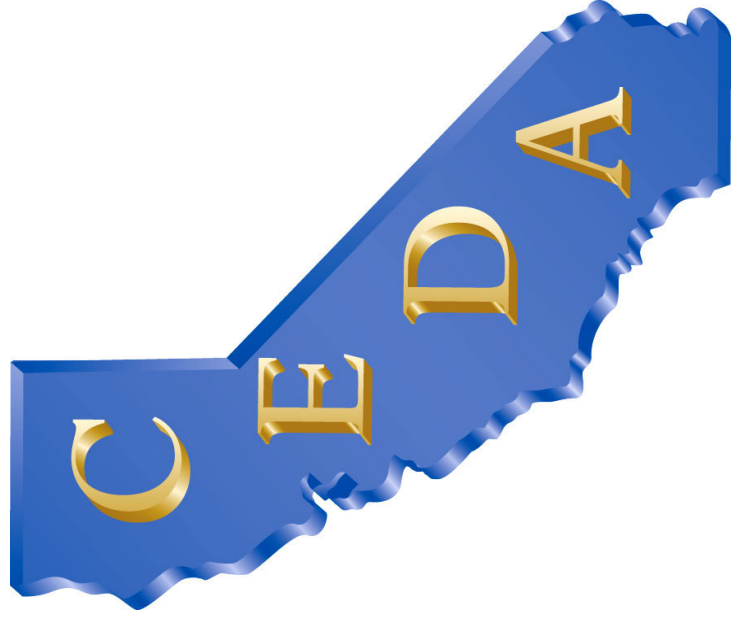


Financing for Manufacturers

January 2007

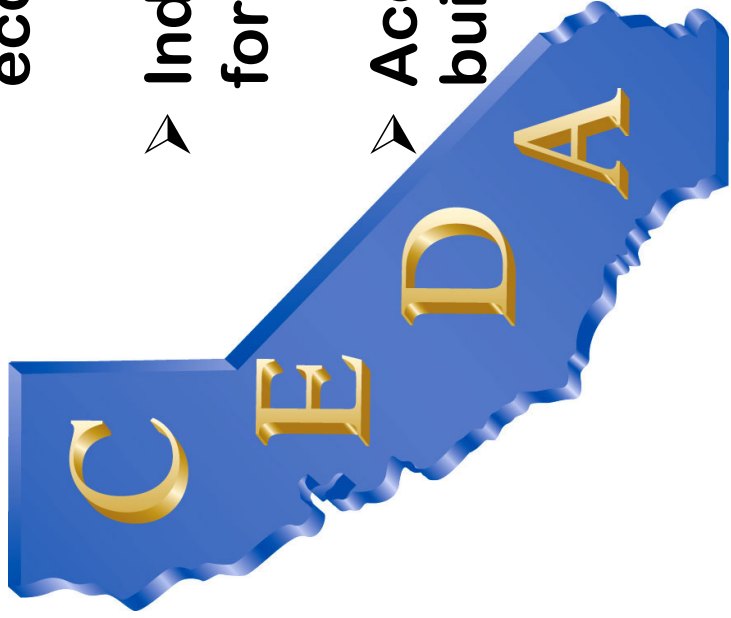


PAULA CONNORS

CALIFORNIA ENTERPRISE

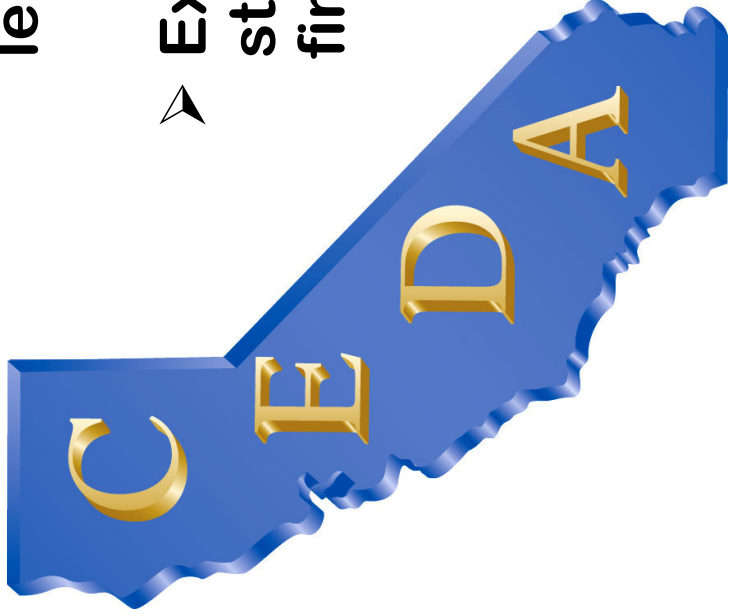
DEVELOPMENT AUTHORITY

- **What is “CEDA”**: The **California Enterprise Development Authority** is dedicated to the issuance of conduit revenue bonds for economic development projects
- **Joint Powers Authority** dedicated to economic development finance
- **Industrial Development Bond program** for growing manufacturing businesses
- **Access to expansion capital** for land, building and equipment



www.caled.org/edfinancing

- **Interest rates 20% -30% below commercial lending rates**
- **Low cash down payment - 10% - 20%**
- **Single point of contact throughout the lending process**
- **Experienced finance team has structured over \$100 million in ED financing**

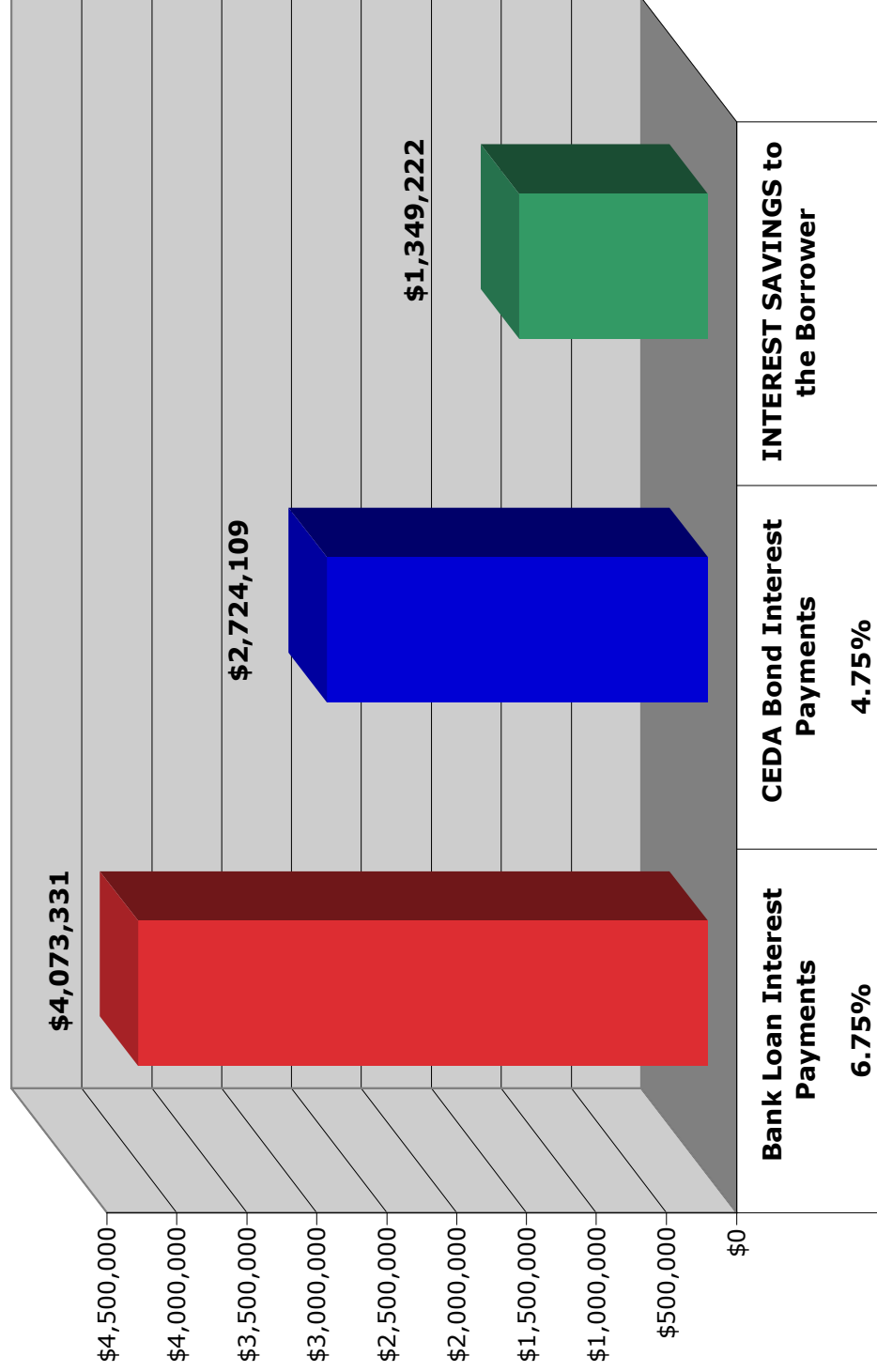


www.caled.org/edfinancing

Industrial Development Bonds

- Tax-exempt financing (up to \$10 million) for manufacturing.
- Uses include acquisition of land, building, and new equipment.
- Tax-exempt bond results in borrowing costs 20-30% below comparable bank rates.
- Obligation to repay is solely that of the borrower - not the Authority or the jurisdiction

Compare the CEDA Advantage !!
Interest Savings Benefits to Your Borrower
\$5 million Industrial Development Bond
20 Years Term



Industrial Development Bonds

- How it works: An Industrial development authority issues bonds, loans proceeds to the company. Company's repayment is secured by a letter of credit from its bank.
- Step 1:
 - Screen the project
 - Reimbursement Resolution

Industrial Development Bonds

- Step 2:
 - Borrower/Financial Advisor/Issuer work with lenders/purchasers to structure financing
 - Local TEFRA hearing
 - Local adoption of resolution to join CEDA
 - Volume cap/CIDFAC state approvals
 - Bond closing similar to loan closing
 - Many documents to sign
 - Bonds “sold” ; proceeds to trustee to disburse to borrower

Example

Industrial Development Bond/ CEDA

• Standard			
• IDB/Bank	\$2,345,000	70%	
• Equity	<u>1,005,000</u>	<u>30%</u>	
	\$3,350,000	100%	
• With Subordinate Loan			
• IDB/Bank	\$2,177,500	65%	
• Subordinate loan	670,000	20%	
• Equity	<u>502,500</u>	<u>15%</u>	
	\$3,350,000	100%	

Examples

- \$10 million to relocate and expand a precision machine tools manufacturer
- \$ 6 million to purchase and equip a new processing plant for a specialty foods manufacturer
- \$5.5 million to expand a gourmet baked goods company

Example

Expansion of specialty food processor

Land Acquisition	1,350,000
Facility Improvement	1,000,000
Machinery/Equipment	3,000,000
Architectural/Engineering	200,000
<u>Financing costs</u>	<u>300,000</u>
TOTAL	5,850,000

Example

Precision machine tool manufacturer

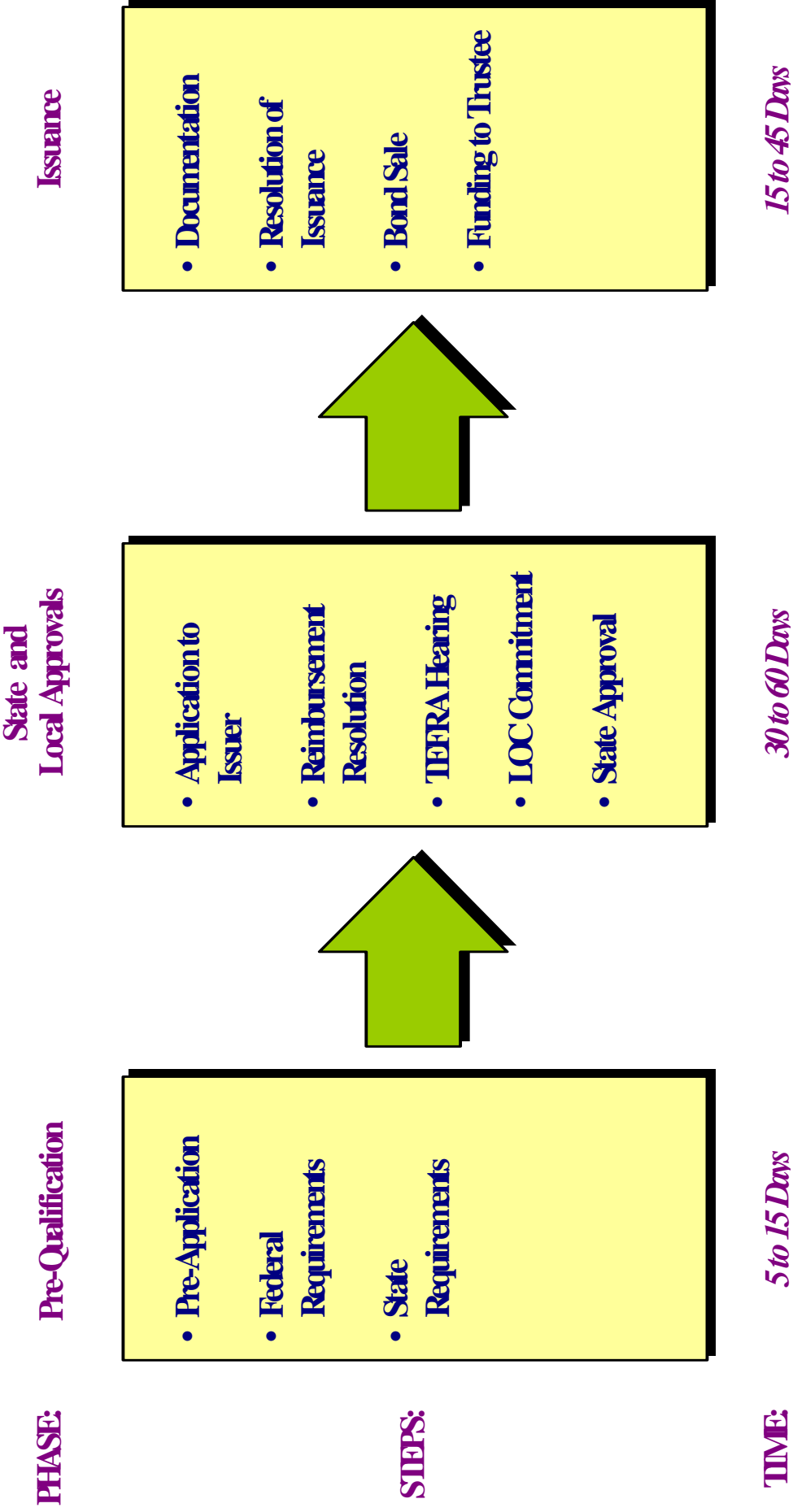
Land Acquisition	2,500,000
Building	7,200,000
Facility Improvement	1,500,000
Machinery/Equipment	1,000,000
<u>Financing costs</u>	<u>200,000</u>
TOTAL	12,400,000*

*\$10 million tax-exempt; remainder will be taxable bonds

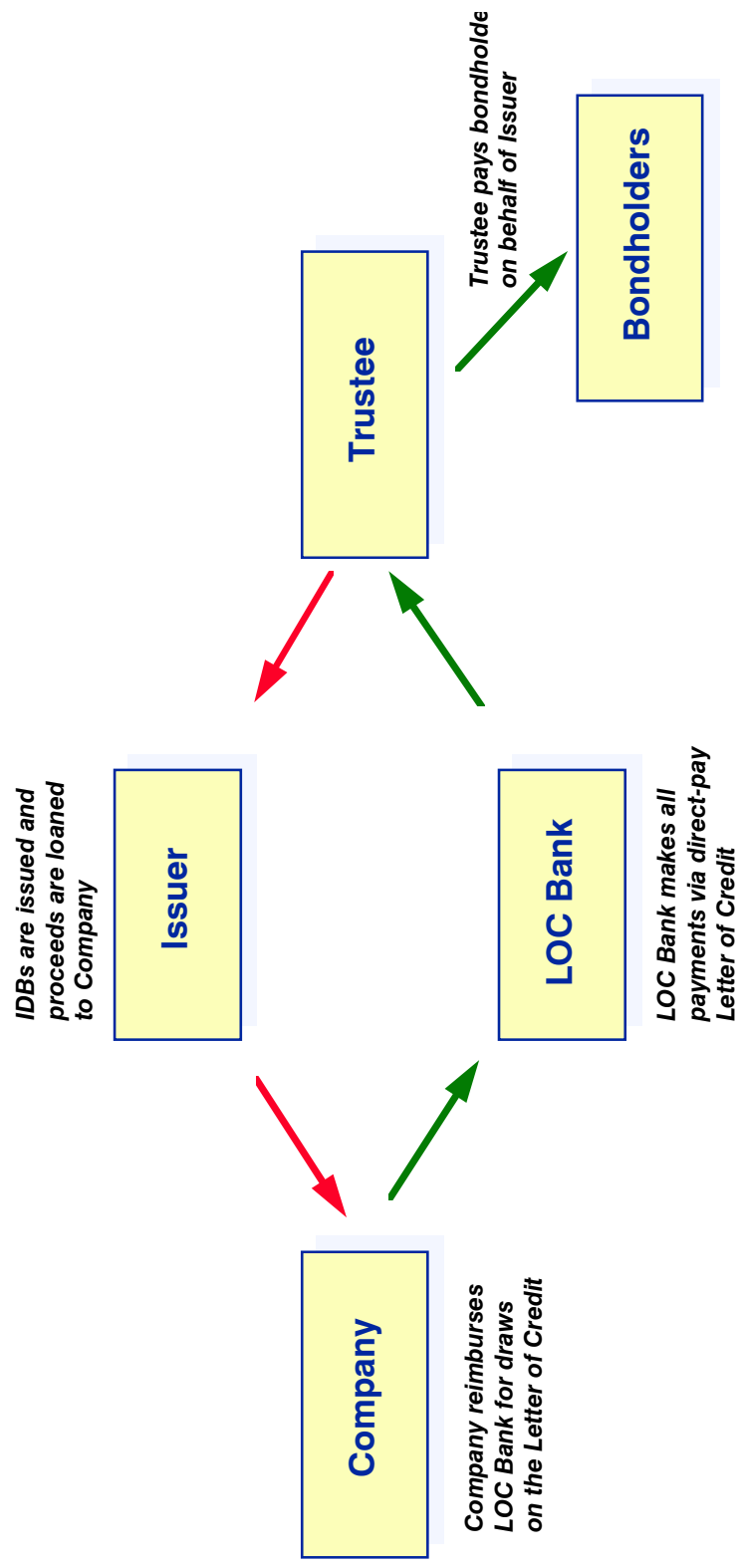
Issues to Consider

- Manufacturing or processing
- \$10 million IDB limit
- Capital Expenditure Limit: \$20 million
- State approvals: CA Debt Limit Allocation and CIDFAC
- Prevailing Wage

The IDB Process



Industrial Development Bonds Tax-Exempt Financing Structure



ECONOMIC DEVELOPMENT FINANCING RESOURCES



Small Business Administration

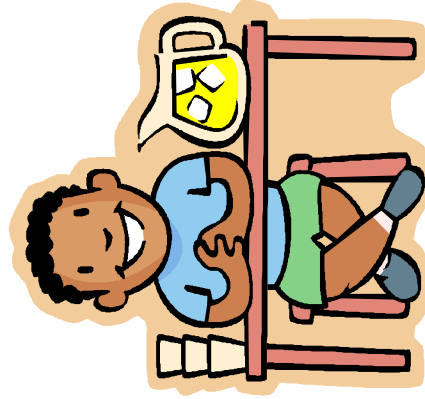
504 Loan Program: Long term, fixed asset financing used for land acquisition, building construction, purchase of existing building, site improvements, rehabilitation and major equipment acquisition.

How it works:

50% Private Lender

40% Debenture

10% Equity Injection



* Packaged through certified development corporations

www.sba.gov

www.sba.gov/gopher/Local-Information/Certified-Development-Companies

SBA 504 Example

Small Business Financing

Bank	\$500,000	50%
SBA 504	400,000	40%
Equity	<u>100,000</u>	<u>10%</u>
Total	\$1,000,000	100%

*Manufacturing: SBA can finance up to \$4 million

Small Business Administration

7(a) Loan Program: SBA's primary loan program used for business acquisition, leasehold improvements, real estate, equipment, working capital, and investing.

How it works: SBA guarantees 75% of commercial lender loan.

California Loan Guarantee Program

Program enables small businesses to obtain a term loan or lines of credit when it cannot otherwise get a loan. Uses include equipment, construction financing, business expansion and working capital.

Structure: Commercial lender loans are guaranteed up to 90% not to exceed \$500,000 on term loans and lines of credit.

- Packaged through 11 State Small Business Corporations

www.calbusiness.ca.gov/cedpgybfasblgp.asp

New Markets Tax Credit

- Community Development Entities make loans, investments or financial counseling in “Low Income Communities”
- Funding comes from a federal tax credit for equity investments in Community Development Entities

www.crfusa.com

USDA Business and Industry Guaranteed Loan Program

In rural areas only, the program provides a loan guarantee of a commercial lender loan. Uses may be working capital, machinery, equipment, building acquisition and development.

How it works: Up to a 80% guarantee of a loan made by a commercial lender

www.rurdev.usda.gov/ca