

Sample BDC Loan: Manufacturing Facility

The Business Development Center:
Commercial Loan Financing and Technical Assistance Network

Contact the BDC at fdc@ura.org
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BUILDING PITTSBURGH WITH



The URA's Business Development Center's mission is to help business's grow and succeed.

Business Case

A medium sized manufacturer has been in operations for over 25 years. The company has seen revenues and profits increasing over the past 5 years and has an opportunity to purchase a key piece of specialized machinery to increase their production capacity and efficiency to meet new product demand created by recently secured accounts. The acquisition of this machinery will cost \$700,000, including moving costs, employee training, and set-up. Given the increased demand for product, the company wants to conserve cash flow to purchase supplies and hire and train new employees to meet the new demand.

The machinery is appraised at \$500,000. The company plans to retain 50 jobs and add another 50. The company is able to get a commitment from its bank for 80% Loan to Value of the equipment, or \$400,000. The company wants to invest \$70,00 in equity to conserve cash flow for operations. This leaves a \$230,000 financing 'gap.'

Financing Solution

The BDC provides a \$230,000 loan to close the deal. The loan is subordinate to the bank loan and is secured by a 2nd mortgage on the equipment and a 2nd mortgage on the company's manufacturing facility. The terms match the banks at 7%, 7 years, 20 year amortization with a balloon.

Project Costs

Machinery Purchase	\$500,000
Working Capital	\$100,000
Soft Costs	\$100,000
Total Project Cost	\$700,000

Project Benefits

- Local manufacturer is able to grow operations and increase their competitive positioning in the industry market place
- 50 New jobs are created and 50 jobs are retained

Loan Structure

Bank/Private Lender (57%)	\$400,000
BDC/URA (33%)	\$230,000
Equity (10%)	\$ 70,000
Total Project Cost	\$700,000