



First National Bank

SBA LOANS

THE BEST-KEPT SECRET IN LONG-TERM FINANCING



EQUAL HOUSING LENDER NMLS #766529 SBA LENDER

WHAT WE'RE GOING TO TALK ABOUT

- About FNB and FNB Small Business Finance
- SBA Loan Benefits
- Lending Products
- Loan Types
- Deals Overview
- Q&A



ABOUT

FIRST NATIONAL BANK

Focused on small to medium sized business owners and their employees

350 Banking Offices throughout Pennsylvania, Ohio, Maryland, West Virginia, Virginia, North Carolina, South Carolina, and Washington D.C.

Headquartered in
Pittsburgh, PA

Member FDIC

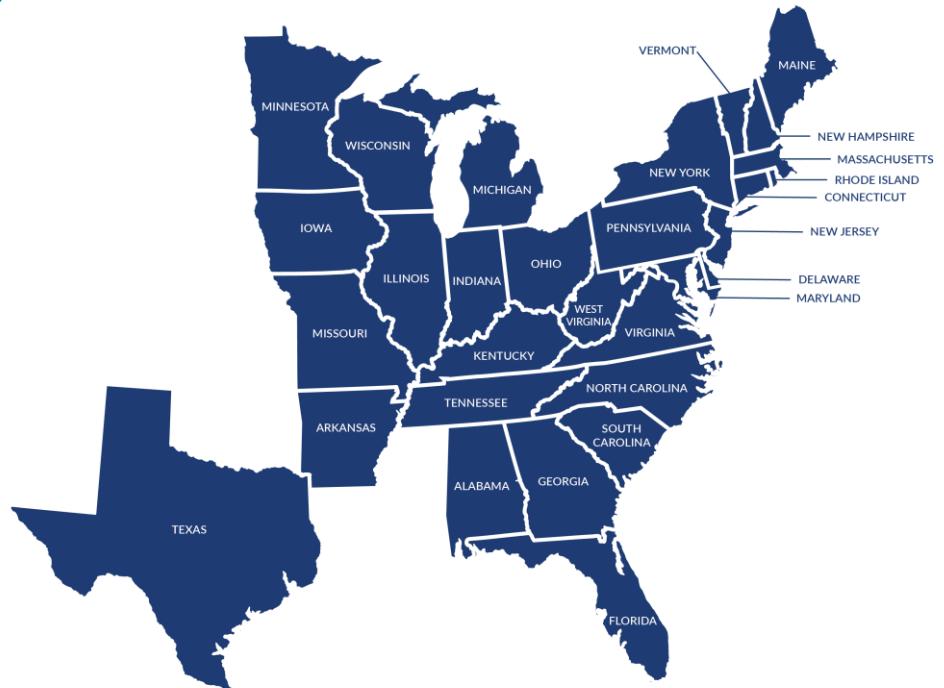
\$49B in Assets

Publicly traded
on NYSE: FNB

ABOUT

FNB SMALL BUSINESS FINANCE

- Team of **45+ experts** devoted solely to SBA lending
- Operation HQ in Charlotte - houses all Credit, Closing, Servicing and Administration
- Literally **DECADES** of experience originating and closing **BILLIONS** of dollars of SBA loans
- Preferred Lender Status with the SBA
- 31 State, and Washington, D.C. Lending Footprint



What is the SBA

- Federal agency created in 1953
- Operates programs designed to aid and promote Small Business activities
- In addition to lending programs, SBA facilitates a government contracting program (8a) as well as various business counseling services (SCORE and SBDC's)
- Lending Programs
 - 7a and 504 – bank lending programs
 - Disaster Loan Programs – agency direct lending



THE BENEFITS OF SBA LOANS

Creative financing solutions –
that's what it's all about!

The SBA product suite offers several advantages that traditional financing normally cannot offer, including:

- Lower down payments
- Longer terms = better cash flow
- Fully amortizing loans – no calls or balloon payments
- No loan covenants
- Don't have to be fully secured on a loan (7a specifically)
- Multiple uses of proceeds in one loan
- Competitive rates - quarterly variable, 3-, 5-, or 10-year fixed rates

Basic SBA Eligibility

- For Profit Entities Only
- Businesses must be engaged in enterprise that would otherwise not be considered a poor use of tax-payer dollars
 - Ie. No discrimination of members, no gambling, not exclusive of religious affiliation, speculative, etc.
- Located within the United States or its territories
- Considered small under SBA size standards
 - NAICS code driven, various by NAICS code
 - Alternative Size Standard – not greater than \$20 million in tangible net worth AND no greater than \$6.5 million net income average for last 2 years
- 100% of Ownership must be either be US Citizens or lawful permanent resident alien (Green Card). No visas of any typed, to include temporary ones issued upon Green Card application
- For any real estate purchase transactions: the primary operating business must occupy at least 51% of the square footage.



LENDING PRODUCTS

SBA 7(A)

- Use of proceeds:
 - Business acquisition, partner buyout
 - Business expansion
 - Commercial real estate
 - Refinance
 - Start-Ups
 - Equipment
 - Working capital
- Loan amounts up to \$5,000,000
- Up to 90% financing, more in some cases
- 10 – 25 year loan term – fully amortizing
- For existing businesses, required equity injection is 10% of the purchase price
- Bank sponsored program in which the borrower interacts only with the Bank.



LENDING PRODUCTS

SBA 504

- Use of proceeds – Owner Occupied CRE (OOCRE) and improvements with FF&E. Can include ground up construction projects
- Best on projects \$5MM - \$12MM
- 10, 20, or 25 year loan term
- Can be combined with an SBA 7(a) or Express for working capital and other uses
- Bank and SBA Partnership program, where SBA has more involvement in the approval compared to 7a loan program



Loan Structuring Basics – 7a Loans

- One loan with ability to finance multiple purposes
- Loan term is based on the Use of Proceeds being financed/acquired.
 - Business Acquisitions, Equipment, Leasehold Improvements, and Working Capital are given 10 years
 - Real Estate and any associated improvements are given 25 years
 - For scenarios where a mix of proceeds exists, loan term is calculated based on a weighted average of the assets being financed relative to their proportion of the loan.
- Any equity owner of 20% or greater must personally guaranty the loan

- The borrower (ie. The business) must show the ability to repay the debt – minimum guidance is 1.25X Debt Service Coverage Ratio
 - Generally historical financials are the primary source of analyzing repayment ability
 - Projections can be relied upon in scenarios that are either start-up or expansion based.
- ****Collateral Shortfalls are acceptable and largely common occurrences****
 - This is a primary function of what the 7a program mitigates
- **10% Equity Injection (ie. down payment) required most often.**
 - No requirement for expansion scenarios/existing businesses however prudent lending must be considered
 - *See later slides on specific scenarios*
 - Business Acquisitions – seller debt may count towards half of the required 10%
 - Partner Buyouts may be considered at 100% if Balance Sheet exhibits no greater than 9:1 debt/net worth.



Loan Structuring Basics – 504 Projects

- Very similar to 7a lending in that:
 - Personal Guarantees of owners of 20%+
 - Historical ability to repay unless start-up or expansion
- Loan Terms of either 10, 20, or 25 years only
 - Equipment only scenarios = 10 years
 - Real Estate scenarios borrower chooses between 20 and 25 years
- 2 loans – 1 from the Bank, 1 via the SBA
 - Bank provides loan of at least 50% LTV in a 1st lien position
 - SBA provides loan of between 30%-40% in a 2nd position

- Equity Injection is based on project specifics:
 - Existing businesses acquiring something that is not considered “Special Purpose” = 10% cash injection
 - For Special Purpose acquisitions add 5% cash injection
 - Start-ups add 5% cash injection
 - “Special Purpose” applies primarily to Real Estate and consists of a property that “is a limited market property with a unique physical design, special construction materials, or a layout that restricts its utility to the specific use for which it was built”.
 - Car Washes are good examples
 - Properties with indoor pools like Swim Academies



7a Loans Compared to 504 Projects

7a Loans

- More flexible relative to use of proceeds
- Generally quicker to close given there is limited to no interaction with the SBA
- No Pre-Payment penalty for loans with amortizations less than 15 years
 - Anything 15 years or greater, 3-year prepayment of 5%, 3%, 1%
- No Loan Covenants
- Higher Interest Rates Compared to 504

504 Loans

- Attractive financing rates, esp. for the SBA piece which is fixed for the life of the loan
- SBA portion does have a 10-year prepayment
 - 10% in Year 1 decreasing to 1% in Year 10
- Can support a higher total lending project compared to 7a
- Generally, slightly longer to close given multiple parties involved in the financing (ie. Bank and SBA directly)



LENDING SOLUTIONS

BUSINESS ACQUISITION

- 90-100% financing available
- Partial change of ownership now SBA eligible
- Can include working capital, new FF&E, and other business needs
- 10- to 25-year terms

COMMERCIAL REAL ESTATE

- Up to 100% financing
- Can include working capital, equipment and improvements
- Ground up construction and property improvements
- Up to 25-year term

FRANCHISE

- Up to 90% financing for acquisition or expansion
- Up to 85% financing for start-up
- Ground up construction financing available
- Leasehold improvements

PARTNER BUYOUT/BUY-IN

- Up to 100% financing
- Can include working capital, new FF&E, and other business needs
- 10- to 25-year terms



LENDING SOLUTIONS

Cont.

PROFESSIONALS

- Up to 100% financing for acquisition (business or real estate) and partner buyout
- Up to 90% financing for start-up
- Financing options for: Dentists, Chiropractors, CPAs, Architects, Attorneys, Engineers, Environmental Professionals, Pharmacies, Ophthalmologists, Therapists, Veterinarians, Health and Medical Providers

SENIOR CARE

- Up to 100% financing for real estate, business acquisition, partner buyout
- Financing options for: Adult Day Care, Funeral Homes and Crematoriums, In Home Respite/Hospice Care, Infusion Care and Memory Care
- 10- to 25-year loan terms





First National Bank

Examples of Closed Loans

Deal Details:

- Partial Buyout of 75% of equity ownership
- 10-year loan, no equity injection required
- Very little tangible collateral, roughly \$3 million collateral shortfall
- Closed in 45 days

- Start-up specialty fitness/therapy center
- 10-year loan term, 8 months of Interest Only
- Multiple Uses of Proceeds
- 20% equity injection required
 - Newer franchise concept, less desirable industry

ANOTHER SUCCESSFUL DEAL!



Adam Whitaker
Vice President,
Business
Development Officer

JUST FUNDED

Business Type: Pallet Broker
Loan Type: SBA 7(a)
Use of Proceeds: Multi-Step Partial Change of Ownership
Loan Amount: \$4,055,000
Location: North Carolina

ANOTHER SUCCESSFUL DEAL!



Adam Whitaker
Vice President,
Business
Development Officer

JUST FUNDED

Business Type: Specialty Gym Franchise Start-Up
Loan Type: SBA 7(a)
Use of Proceeds: Working Capital, Equipment, & Leasehold Improvements
Loan Amount: \$480,000
Location: Pennsylvania



Deal Details:

- Partner Buyout by minority partner from founder of the company
- 10-year term loan for 7a loan
 - No equity injection required
- 25-year term for 504 loans
 - 10% injection required per SOP
- Able to exceed the SBA aggregate maximum of \$5 million in total SBA exposure because of being a manufacturer:
 - NAICS codes of 30, 31, & 32



ANOTHER SUCCESSFUL DEAL!



Adam Whitaker
Vice President,
Business
Development Officer

JUST FUNDED

Business Type:	Metals Manufacturer
Loan Type:	7(a) & 504 Combo
Use of Proceeds:	7(a) - Partner Buyout 504 - CRE Purchase
Loan Amount:	7(a) - \$5,000,000 504 - 1st Loan \$3,345,000 2nd Loan \$2,728,500
Location:	Pennsylvania



First National Bank

QUESTIONS?

THANK YOU



Adam Whitaker
Vice President, BDO
626 Washington Place
Pittsburgh, PA 15219
Phone: 412-389-1310
whitakera@fnb-corp.com
fnbsmallbusiness.com/awhitaker

Please feel free to contact me anytime if you have a client interested in my long-term financing services.

Thank you for your time!