



## ABOUT HEDCO LDC AND SBA 504 PROGRAM

Established 1981

**HEDCO LDC** (HEDCO) is a non-profit community-based company licensed by the Small Business Administration (SBA) to make loans under the SBA's 504 Loan Program. We service small businesses in the State of Hawaii, Guam and selected areas of the South Pacific.

**The 504 Loan Program** provides a financing option for the acquisition of fixed assets for small businesses. HEDCO partners with a third-party lender and the borrower to finance the project.

**Interest Rate** is set at the time the 504 loan is funded.

### LENDING LIMITS 504 LOAN PORTION ONLY

Limited to 40% of the total project cost including eligible SBA administrative costs up to a maximum of:

1. \$5.0 million all eligible projects
3. \$5.5 million per project for eligible manufacturer, energy-efficient projects that reduce energy consumption by at least 10% or plant, equipment, process upgrades for renewable energy projects

Minimum 504 loan limit \$25,000. No more than 50% of eligible project costs can be from Federal sources.

### BASIC SBA & 504 PROGRAM ELIGIBILITY REQUIREMENTS

1. **Must be owner operated for-profit entity** located in the State of Hawaii, Guam or other areas HEDCO LDC is authorized to operate in
2. **Meets SBA size standards as follows:**
  - ◆ Tangible net worth of business \$15 million or less
  - ◆ Average after-tax profit of \$5 million and less for the last 2 operating years
3. **Meets Economic Development Objectives:**
  - ◆ Job creation or retention goal: 1 position per \$65,000 (applies to 504 loan portion only)
  - OR
  - ◆ Meets community development or public policy goals defined by the SBA

\*Additional limitations/restrictions may apply.

### ELIGIBLE PURPOSES

#### Fixed asset financing for:

- ◆ Acquisition of commercial property; land, building
- ◆ Building construction
- ◆ Renovations/Expansions/Conversions of commercial building, leasehold improvements
- ◆ Plant /Machinery/Equipment purchases
- ◆ Marine facility; including fishing & commercial boats

### FIXED ASSET REQUIREMENTS

- ◆ **EXISTING BUILDING:** Business must occupy at least 51% of the building
- ◆ **NEW CONSTRUCTION:** Business must occupy at least 60% of the new construction initially and increase its occupancy to 80% within 3 yrs, with 100% occupancy within 10 years.
- ◆ **MACHINERY/EQUIPMENT:** Minimum 10-year economic life

### BENEFITS OF A HEDCO LDC 504 LOAN FOR THE BUSINESS

- ◆ **PRESERVE CAPITAL** Down payment as low as 10%
- ◆ **LONG TERM:** 10 or 20 year loan terms
- ◆ **PREDICTABLE MONTHLY PAYMENTS**
- ◆ **Up to \$10,000 out of pocket in fees paid by HEDCO LDC** (costs related to the 504 loan)
- ◆ **COMPETITIVE FIXED RATES**
- ◆ **EXTRAORDINARY CUSTOMER SERVICE**
- ◆ **ASSUMABLE LOAN**

### FINANCING STRUCTURE FOR THE 504 PROGRAM

Financing % contribution:

Source	Type 1	Type 2	Type 3
Borrower	10%	15%	20%
HEDCO*	40%	35%	30%
Lender	50%	50%	50%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Type1: Standard financing structure – most common

Type2: New business OR special purpose property

Type3: New business AND special purpose property

\*See Lending Limit info

### SAMPLE:

\$1,000,000 Real Estate Project	Lender	HEDCO LDC	Small Business
Loan Amount	\$500,000	\$400,000	\$100,000
% of Project	50%	40%	10%
Term	10-yr. note (20-25 yr. amortization)	20 years	Equity
Interest Rate	Market	Fixed	
Collateral	1st mortgage	2nd mortgage	

### DEBT-REFINANCE PROGRAMS

Small businesses seeking to:

- ◆ Expand their business AND would like to refinance existing eligible debt

The 504 Loan Program has a debt refinance program that may fit your needs. Additional eligibility requirements apply (contact HEDCO LDC).

**HEDCO**  
**LOCAL DEVELOPMENT CORP**  
A SBA CERTIFIED DEVELOPMENT COMPANY

Serving Hawaii, Guam & parts of the South Pacific



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## Application Checklist

### For Project:

1. Project cost documents (PSA or DROA, construction contract estimates, vendor quotes for machinery and equipment, etc.)
2. Independent appraisal (to be provided by the lender) – report must name HEDCO LDC/U. S. Small Business Administration as the requestors and intended users in addition to the lender
3. Environmental inspection analysis– SBA environmental questionnaire at minimum. Additional environmental inspection reports may be required depending on the total project cost, and current and past occupants of the subject property. SBA Reliance Letter and evidence of insurance from the environmental company, as applicable

### For Operating Company:

1. Brief history and description of the Operating Company (OC)
2. Articles of Incorporation and By-Laws/Operating Agreement for LLC/Partnership Agreement for Partnership
3. Financial Information for operating company:
  - A. 2 years (most recent) financial statements **AND** federal income tax returns including schedules – SIGNED by authorized officer
  - B. Current (within 120 days) Financial Statements (balance sheet and income statement)
    - ◆ Aging of Payables as of that date
    - ◆ Aging of Receivables as of that date
    - ◆ Schedule of Notes Payable as of that date (may use SBA's Schedule of Indebtedness form)
    - ◆ Projections for 1- year
    - ◆ If the business is a contractor - current jobs in progress schedule
  - C. For new business, monthly cash flow analysis for next 12 months

### Other items for operating company, as applicable:

1. Financial information for affiliates/subsidiaries: If applicable, financial statements or federal income tax returns for current two fiscal years – SIGNED by authorized officers
2. Franchise Agreements **and** the FTC Disclosure Statement
3. Existing or proposed lease agreements with terms and expiration date
4. Business plan if company is a start-up and new business (2 years or less in business)
5. Schedule of any previous government financing received by any principals or affiliated companies: (name of government agency, original date and amount, outstanding balance, status, and collateral secured)

### For all principals/guarantors:

1. Personal financial statement dated within 90-days (lender's PFS form is acceptable)
2. Copy of one form of photo identification (Driver's license/passport/military ID/ government ID)
3. Personal federal income tax returns (1040) for the last full calendar year - SIGNED by taxpayer(s)
4. Brief resume of individuals involved in the day-to-day management of the OC (to include educational background, work experience and any relevant licenses, certifications or professional designations)
5. Trust agreements if trust has ownership in the company, is a guarantor or will hold title of the project property

\*Note: completion and signature of other applicable SBA forms required. Forms forwarded to borrower after receipt of financing request and checklist items.