DAILEY RESOURCES, INC.

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Corporate Finance Solutions

Financing The Deal

During our more than twenty three years of working with business owners, business sellers and business buyers, we have developed an extensive database of corporate finance solution providers including Senior Lenders, SBA Preferred Lenders, Small Business Investment Companies, Private Equity Groups (PEGs), Hedge Funds, Real Estate Investors and Mezzanine Investors.

Senior Lenders:

- A/R financing
- Commercial real estate
- Equipment financing
- Growth financing
- M&A financing
- Project financing
- SBA lending
- Working Capital

Private Equity:

Private equity firms or groups (PEGs) typically raise funds from private sources and use those funds to make investments in existing companies. Investments could be control (majority ownership) or minority. Investments usually involve a combination of equity and debt. Debt financing potentially provides a means of generating higher returns on investment. PEGs usually receive management fees and share in the earned profits.

Some PEGs have a “buy and hold” strategy, while others sell the investments after a specific holding period or when clearly defined investment objectives have been obtained. The exit is a pre-determined strategy for returning capital to the investors.

Hedge Funds:

Hedge funds are similar to mutual funds in that professional managers invest funds that have been provided by the limited partners. Because hedge funds are unregulated, illiquid investment vehicles, the limited partners have to be sophisticated investors. Most of the limited partners will be required to meet the legal definition of accredited investors: earn a minimum amount of money annually and have a net worth of more than $1 million, along with a significant amount of investment knowledge.

Hedge fund managers employ the advanced investment strategies designed to maximize the return on investment, while attempting to reduce risk. However, the aggressive investment nature of hedge funds generally means more risk, not less.

Mezzanine Capital:

The financing of a transaction usually requires debt and equity. Sometimes those two elements are not sufficient to get the deal done. In those instances, mezzanine capital may be used to bridge the gap needed to finance a transaction.

Because the mezzanine debt is "junior" to senior debt, it carries more risk in that it has a lower claim on the company's assets. As such, it requires a higher rate of return on investment. One way to provide the higher return is to allow the mezzanine debt to be converted to equity at a specified date.

Real Estate Investors:

- Healthcare
- Hospitality
- Industrial
- Office
- Raw Land
- Residential
- Retail
- Specialty – Other

SBA (7a and 504) and SBIC Programs: Guaranteed Loan Programs (Debt Financing)

The following information was provided courtesy of the SBA website.

SBA does not make direct loans to small businesses. Rather, SBA sets the guidelines for loans, which are then made by its partners (lenders, community development organizations, and micro-lending institutions). The SBA guarantees that these loans will be repaid, thus eliminating some of the risk to the lending partners. So when a business applies for an SBA loan, it is actually applying for a commercial loan, structured according to SBA requirements with an SBA guaranty. SBA-guaranteed loans may not be made to a small business if the borrower has access to other financing on reasonable terms.

SBA loan guaranty requirements and practices can change as the Government alters its fiscal policy and priorities to meet current economic conditions. Therefore, you can't rely on past policy when seeking assistance in today's market.

SBA's 7(a) loans are the most basic and most used type loan of SBA's business loan programs. Its name comes from section 7a of the Small Business Administration Act, which authorizes the Agency to provide business loans to American small businesses.

SBA's 7(a) Loan Program has a maximum loan amount of $2 million dollars. SBA's maximum exposure is $1.5 million. Thus, if a business receives an SBA guaranteed loan for $2 million, the maximum guaranty to the lender will be $1.5 million or 75 percent. SBA Express loans still have a maximum guaranty set at 50 percent

Eligible Use of 7(a) Loan Proceeds Include (Non-Exclusive):

- The purchase land or buildings, to cover new construction as well as expansion or conversion of existing facilities
- The purchase of equipment, machinery, furniture, fixtures, supplies, or materials
- Long-term working capital, including the payment of accounts payable and/or the purchase of inventory
- Short-term working capital needs, including seasonal financing, contract performance, construction financing and export production
- Financing against existing inventory and receivable under special conditions

- The refinancing of existing business indebtedness that is not already structured with reasonable terms and conditions
- To purchase an existing business

What is the CDC/504 Program?

The CDC/504 loan program is a long-term financing tool, designed to encourage economic development within a community. The 504 Program accomplishes this by providing small businesses with long-term, fixed-rate financing to acquire major fixed assets for expansion or modernization.

A Certified Development Company (CDC) is a private, nonprofit corporation which is set up to contribute to economic development within its community. CDCs work with SBA and private sector lenders to provide financing to small businesses, which accomplishes the goal of community economic development. Typically, a CDC/504 project includes:

- A loan secured from a private sector lender with a senior lien covering up to 50 percent of the project cost
- A loan secured from a CDC (backed by a 100 percent SBA-guaranteed debenture) with a junior lien covering up to 40 percent of the project cost
- A contribution from the borrower of at least 10 percent of the project cost (equity)

This type of setup means that 100% of the project cost is covered either by contribution of equity by the borrower, or the senior or junior lien.

How 504 Loan Funds May Be Used - Proceeds from 504 loans must be used for fixed asset projects, such as:

- The purchase of land, including existing buildings
- The purchase of improvements, including grading, street improvements, utilities, parking lots and landscaping
- The construction of new facilities or modernizing, renovating or converting existing facilities
- The purchase of long-term machinery and equipment

Bonding Program (Surety Bonds)

SBA’s Surety Bond Guarantee (SBG) Program helps small business contractors who cannot obtain surety bonds through regular commercial channels.

A surety bond is a three-party instrument between a surety (someone who agrees to be responsible for the debt or obligation of another), a contractor and a project owner. The agreement binds the contractor to comply with the terms and conditions of a contract. If the contractor is unable to successfully perform the contract, the surety assumes the contractor's responsibilities and ensures that the project is completed.

Through the SBG Program, the SBA makes an agreement with a surety guaranteeing that SBA will assume a percentage of loss in the event the contractor should breach the terms of the contract. The SBA's guarantee gives sureties an incentive to provide bonding for eligible contractors, thereby strengthening a contractor's ability to obtain bonding and greater access to contracting opportunities for small businesses.

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SBA can guarantee bonds for contracts up to $5 million, covering bid, performance and payment bonds, and in some cases up to $10 million for certain contracts.

Venture Capital Program (Equity Financing)

SBA's Small Business Investment Company (SBIC) Program is a public-private investment partnership through which the SBA provides venture capital to small businesses. SBICs are privately owned and managed investment funds, licensed and regulated by SBA. With the private capital they raise and with funds borrowed at favorable rates through SBA, SBICs provide financing in the form of debt or equity to small businesses.

SBICs are similar to venture capital, private equity and private debt funds in terms of how they operate and their ultimate objective to generate high returns for their investors. However, unlike those funds, SBICs limit their investments to qualified small business concerns as defined by SBA regulations.

To learn more about our **Corporate Finance Solutions** and to schedule your COMPLIMENTARY, CONFIDENTIAL CONSULTATION, please call 817-663-0001 or 972-354-1000 or send an email to mjdailey@daileyresources.com. All inquires will be handled CONFIDENTIALLY and discreetly, without any obligation. You will be contacted by one of our Certified Business Intermediaries at the phone number or e-mail address that you provide.