

FEATURE 504:

BENDIX Imaging



One of the most recent projects First District Development Company (FDDC) has had the pleasure of being involved with is BENDIX Imaging, Inc. Jeff Bendix, owner and operator of BENDIX Imaging, Inc., was able to take advantage of financing offered through the partnership of an SBA 504 loan, provided by FDDC, and a commercial bank loan, provided by Dacotah Bank in Watertown. Jeff was in need of the financing package, as his business outgrew its leased space. He found an existing building in Watertown, that once remodeled would offer the additional space he needed. By including the SBA 504 loan in his financing package, Jeff received a low, fixed interest rate on the 504's portion of the financing, keeping monthly payments stable and low. Also, by utilizing the SBA 504 loan program, BENDIX Imaging was only required to inject minimal equity.

In addition to the financial partnership of Dacotah Bank and FDDC, there were several contractor and subcontractor partnerships formed in efforts to complete BENDIX Imaging's building remodel, or shall we say transformation. Imagine walking into a building that once opened its doors as a restaurant, and looking past all the kitchen equipment, tables, booths, and bar area, and getting a clear vision of your small business, a one stop technology center, to call it home. Well, that's exactly what Jeff Bendix did and because of that it's no wonder his small business, BENDIX Imaging, Inc., has grown as successfully as it has from its inception in 2000 until today.

Similar to BENDIX Imaging's outer building transformation, their business on the inside has also transformed itself from just selling remanufactured laser printer and copy machine toner cartridges in 2000, to offering a wide

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FIRST DISTRICT DEVELOPMENT COMPANY

124 1st Avenue NW, P.O. Box 1207
Watertown, SD 57201

Phone: (605) 882-5115
FAX: (605) 882-5049
E-Mail: paula@1stdistrict.org
amy@1stdistrict.org
jen@1stdistrict.org

Website: www.1stdistrict.org/fddc

Paula Hulscher, Exec. Vice Pres.
Amy Waite, Loan Officer
Jen Palmquist, Loan Servicing Officer

FDDC is an Equal Opportunity Lender,
Provider, and Employer.

BENDIX Imaging

Continued



Jeff Bendix enjoying a reminiscent photograph of where his small business remodeling project began.



The showroom at BENDIX Imaging, displays a variety of printers, copiers, and computers for purchase or lease.

variety of products and services today. Today, BENDIX Imaging's customers, who extend within and beyond the borders of South Dakota, can purchase printing and copying equipment, STMC certified BENDIX brand toner cartridges, original equipment manufacturer products from virtually all companies, parts with double the warranty of other companies, and supplies. In addition to the products offered, BENDIX Imaging provides the following services as well: printer service and repair, print management services, document management, workflow automation, and various other technologies to manage and reduce the costs of document production, workflow, storage, retrieval and regulatory compliance. They provide servicing on all equipment they sell from HP, Samsung, Kyocera, Copystar, Sharp, Ricoh, Toshiba, and others. A new niche Jeff has found useful to his customers is to lease printing, copying, and computer equipment, as some customers are not in the financial position today to purchase the equipment.

Along with the long-term, and fixed rate BENDIX Imaging, Inc. received from the SBA 504 loan provided by FDDC, we wish the small business long-term success as well!

As a reminder...

FDDC is **going green!** Please let us know if you would like to receive our newsletter via email rather than snail mail by sending an email to amy@1stdistrict.org.



FDDC has Additional Loan Funds Available

FDDC has received approval on their application from the Rural Economic Development Loan & Grant Program (REDL&G), which is sponsored by USDA Rural Development and Rural Electric Economic Development, Inc. (REED), Madison, SD. FDDC now has \$1,040,000 available to lend out to small businesses. FDDC's new REDL&G loan fund will operate by the following terms:

- New and expanding for-profit businesses and non-profit public or private organizations are eligible
- Project must result in creation or retention of jobs
- Loan amounts will be determined by the number of jobs being created and/or the economic impact
- Benchmark for RLF assistance is \$35,000 per full time equivalent
- Loan funds may be used for land, buildings, equipment, inventory, and working capital
- A bank/lender must be involved in the project
- Applicant must provide a 10% (minimum) equity contribution
- Interest rate is generally set at 5% to 6%
- Loan terms are dependent upon available collateral
- A 1.5% loan origination fee will be charged

For more information or to receive an application contact FDDC.

Changes to SBA 504 Loan Program

Due to the passing of the American Recovery & Reinvestment Act (H.R.1), effective February 17, 2009, changes have been made to the SBA 504 loan program. Those changes are outlined below:

Fee Reductions

H.R.1 included provisions for 504 fee waivers to the extent funds are appropriated to replace the waived fees. When the funds have been spent, regular fees resume. The provisions on waived 504 fees are:

- SBA will collect no fee for the bank participation fee. Currently, this fee is calculated as .5% of the bank’s loan amount.
- The Certified Development Company (CDC) processing fee will be eliminated. Currently, this is calculated as 1.5% of the SBA 504 net loan amount.

An example to show you exactly how the policy change affects the fees charged with an SBA 504 loan is as follows:

Project Cost:	Land & New Building Construction	\$1,125,000
Project Financing:	Bank 1st Lien 50%	\$562,500
	FDDC/SBA 2nd Lien 40%	\$450,000
	Equity 10%	\$112,500
Debenture and Fees:	<u>PREVIOUSLY</u>	<u>NEW</u>
Net Proceeds	\$450,000	\$450,000
CDC Fee (1.5%)	\$ 6,750	\$ 0
Attorney Fees	\$ 1,000	\$ 1,000
Funding Fee (.25%)	\$ 1,125	\$ 1,125
Underwriting Fee	\$ 1,844	\$ 1,816
Total	<u>\$460,719</u>	<u>\$453,941</u>
GROSS Debenture (rounded up):	\$461,000	\$454,000
Bank Participation Fee (not financed)	\$ 3,750	\$ 0

Stimulus for Community Development Lending

1. Low Interest Refinancing Under the Local Development Business Loan Program

Unlike before, refinancing is now an eligible SBA 504 project cost. If the project involves expansion of the small business, an amount not exceed 50% of the project cost may be refinanced if:

- a. proceeds will be used to acquire land, to construct or expand building or to purchase equipment
- b. existing debt is collateralized by fixed assets
- c. existing debt was incurred for benefit of small business
- d. proceeds will be used only for refinancing existing debt or costs related to the project
- e. it will provide a substantial benefit when prepayment penalties, financing fees and other financing costs are accounted for
- f. borrower is current on all payments of the existing debt for not less than one year
- g. new financing will provide better terms or interest rate

2. Job Creation Goals

To be eligible for an SBA 504 loan, the project needs to fulfill a job creation or job retention goal or a public policy goal. Prior to February 17, 2009, the project had to create or retain 1 job for every \$50,000 of 504 dollars borrowed. Now that has been changed to create or retain 1 job for every \$65,000 of 504 dollars borrowed. If the project is a small manufacturer it has to create or retain 1 job for every \$100,000. If job creation or retention is not possible, the project can meet a public policy goal of rural development, woman-ownership, minority-ownership, veteran-ownership, expansion of exports, energy efficiency, or business district revitalization.

504 Funding Summary

March, 2008 - March, 2009

20-Year Debentures

Mar	2008	6.46
Apr	2008	6.34
May	2008	6.46
Jun	2008	6.65
Jul	2008	6.85
Aug	2008	6.99
Sep	2008	6.57
Oct	2008	6.60
Nov	2008	7.75
Dec	2008	7.17
Jan	2009	6.67
Feb	2009	5.70
Mar	2009	5.60

10-Year Debentures

Mar	2008	5.82
May	2008	6.11
Jul	2008	6.60
Sep	2008	6.36
Nov	2008	7.12
Jan	2009	6.32
Mar	2009	5.07

For March 2009, a total of \$290,034,000 twenty-year debentures (or 487 loans) were funded through the sale of certificates guaranteed by SBA.

Rates shown are full term effective rates, which include all monthly service fees. 10-Year Debentures are sold every other month and generally the proceeds are used for equipment purchases. 20-Year Debentures are sold monthly and the proceeds are used for real estate acquisition and/or construction.

Be *FIRST* to get it *FIXED!*

