

# Attention Borrowers: You've just hit the jackpot



Jerry Merola

*Congress recently passed the Small Business Jobs Act of 2010 and with it comes excellent opportunities for your business.*

Sometimes the U.S. government isn't so *bad* after all. After a somewhat lazy summer, September arrived with news that may just produce the stimulus this country really needs, aimed squarely at the element that has the ability to deliver it: small business.

That's right, while we've all watched attentively as the investment banks and insurance companies received government bailouts in 2008, nothing seemed to be in the cards for the business engine that makes our communities tick.

While it's been rumored for some time, the House of Representatives approved a dramatic expansion of the Small Business Administration's lending program on Sept 23. Four days later, President Obama signed the bill into law, effectively creating the most significant enhancement to the funding community ever realized in our history.

The Small Business Jobs Act of 2010 is available to all small business owners with annual revenue below \$20 million. In essence, the program effectively increases the guarantee rate to 90 percent of eligible borrowings up to \$5 million.

In addition, the traditional guarantee fees, often two percent of the guarantee amount, are waived. The program will remain in place through Dec. 31, 2010, although I'm hopeful that it will be extended well into 2011. Ultimately, the decision to extend the program will likely be based upon our country's level of economic growth at that point.

## A DEVELOPER'S DREAM COME TRUE

I cannot over-emphasize the importance of the Small Business Jobs Act (SBA) of 2010, particularly for new business developers. Banks, who are

routinely gun-shy about start-up ventures, cannot capture substantial guarantee support from the SBA at loan sizes that are more consistent with the real cost of development today.

With the majority of new entertainment projects costing between \$2 and \$5 million, a bank lender can now obtain almost full security from the SBA on an entertainment start-up. That's simply unprecedented. Word on the street is that small business borrowers cumulatively seeking upwards of \$1.5 billion in SBA financing have been waiting on the sidelines for the passage of this bill, so I would anticipate that regional SBA offices would quickly become overloaded with applications.

While there appears to be no clear criteria with respect to the timely handling of such applications, I would venture to guess that any application submitted on or before the program's Dec. 31 termination date would be honored.

## NEED EQUIPMENT? BUY IT NOW!

Things just keep getting better. In addition to the SBA Jobs Act bill, an inclusion was made to provide tax incentives for small business owners. The key element includes a one-year extension of bonus depreciation as well as a series of specific provisions including 100 percent exclusion of gain on sale of certain small business stock, five year carryback for general business credits, business credits are no longer being subject to Alternative Minimum Tax standards, expense limitation increased to \$500,000 for certain real property, increase of limitation on deductible start-up expenses to \$10,000, and allows rollovers from elective deferral plans to designate Roth accounts.

Several of these elements can produce real tax savings for the typical



small business. However, in some cases, you'll need to act quickly to preserve your rights under these new Internal Revenue codes. As everyone's situation is different, please consult your tax advisor for a recommended strategy.

### **WHAT TO DO**

The time to act is today, right now. There's a window of opportunity that absolutely demands your attention, as it's unlikely that the SBA offering program will ever be this "rich" in content ever again. Before submitting an application, be prepared.

Consider working with an SBA-preferred bank lender. They may be able to streamline the process for you and improve application turnaround time. Complete a feasibility study and business plan specific to your project. While the SBA is offering generous terms, they still expect a very high level of due dili-

gence to be done on the borrower's part. Insure that your personal financial records, including tax returns and/or business filings, are current and readily available. Finally, clear any unresolved disputes or delinquencies that appear on your personal or business credit reports prior to filing under the program.

Under the SBA 7(a) program, proceeds from an approved loan transaction can be used for real estate purchase, renovation or refinance, business acquisition (including franchise-based options), permanent working capital, and machinery and equipment purchases. Specific equity down payments apply in all cases, usually 10 to 25 percent

### **HINDSIGHT IS ALWAYS 20/20**

When it comes to debt financing, opportunities like this don't come along that often. As a result, I believe it's important to assess your current

financial situation and determine whether this might be the appropriate time to launch a new project, add to a current facility, purchase new attractions, refinance existing debt, or even retire some equity investors.

From my perspective, it seems unlikely that we'll see another perfect storm in the financing sector that combines remarkably low interest rates, full-on government guarantee support, depressed real estate values, and favorable tax incentives.

As the saying goes, "get 'em before they're gone." ▲

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