

Sample BDC Loan: High Technology Firm

The Business Development Center:
Commercial Loan Financing and Technical Assistance Network

Contact the BDC at bdc@ura.org
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The URA's Business Development Center's mission is to help business's grow and succeed.

Business Case

A '2nd stage' high technology firm is in its 6th year of operations manufacturing software that is utilized by hospitals to track patients records. The firm reached profitability for the first time in its 4th year. The firm has recently secured 5 new accounts that will require to increase its production by several times their current operations. To achieve this, the firm must hire 4 new employees and purchase new equipment. Total project costs are \$500,000. The firm is has little borrowing history outside of a small line of credit and has little in business assets to offer as collateral. The new equipment is appraised at \$250,000 but has an after market value of 1/2 of that.

The bank will increase the line of credit by \$300,000. The firm can invest \$50,000 in equity. There is a 'gap' of \$150,000.

Financing Solution

The BDC provides a \$150,000 loan to close the deal. The loan has a first position lien on the new equipment. The terms are below market because the firm is located in a designated development area (state Enterprise Zone) and is a targeted industry investment. BDC loan terms: 5%, 5 years, 10 year amortization with a balloon.

Project Costs

Machinery Purchase	\$250,000
Working Capital	\$250,000
Total Project Cost	\$500,000

Project Benefits

- High technology company is able to finance new growth
- 4 New jobs are created

Loan Structure

Bank/Private Lender (60%)	\$300,000
BDC/URA (30%)	\$150,000
Equity (10%)	\$ 50,000
Total Project Cost	\$500,000