
AMERICA WEST
ROADSHOW
2020
PRESENTED BY
Capital Growth Solutions, LLC
WELCOME
TO THE ROADSHOW

Closing Due Diligence & Documentation

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Case Study #1

- **Borrower:** 6280 Boards, Inc.
- **Ownership:** Arielle Gold 90% (President) and Shawn White 10% (Secretary)
- **Total Loan Amount:** SBA 7a Loan for $1,000,000 to purchase CRE that currently houses their business
- Arielle is day to day manager and Shawn is a minority investor in the project
- **Guarantor:** Arielle Gold
- **Collateral:** CRE 700 High Street, Denver, CO and RRE owned by Arielle at 200 W. Buttermilk Rd, Aspen, CO

Guaranties/Forms

Case Study 1

- The title work on Arielle's RRE is received and spouse, Jon Gold, is vested owner of the RRE
- What changes need to be made?
- How could this have been prevented earlier?
- If this were a 504 loan what would be different?
- Is title insurance required on the RRE? Amount?

Ref. Pg. 194 SOP 50 10 5(k) - Guaranties and Collateral

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Guaranties/Titles

Case Study 1

- Adding Shawn’s spouse, Sarah White, as 10% owner
- What changes to the loan need to be made?
- What else may change based on the new due diligence collected?
- Do you already have a form 1919 on Shawn White?

Ref. Pg. 191 SOP 50 10 5 (k) - Guaranties and Collateral

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EPC/OC

Case Study 1

- Arielle's CPA has advised her to form a new entity to own the CRE and lease the space back to their OC. The new entity name is, Alley-Oop, LLC.
- What changes to the loan need to be made?
- What are some common EPC/OC documentation mistakes that can impact the guaranty?

Ref. Pg 122 & 123 SOP 50 10 5 (k) - Ineligible Business Types

Due Diligence

Case Study 1

- On this loan example what pre closing searches should be performed as part of the lenders due diligence? Keep in mind, each lender’s internal policy may differ.
- Who do we search? Borrower, Guarantors, Sellers?
- What searches need to be performed?
- Where do you search?

Due Diligence

Case Study 1

- What if a judgment pops up against your borrower?
- What if a lawsuit pops up?
- Is divorce similar to a suit?
- What if UCC liens pop up? What questions should you ask yourself as the lender?
- When is it appropriate to file a PMSI?
- When should the lender file their UCC lien? (Pre-filing)
- How do you perfect a lien?
- Where should you file?

Case Study #2

- **Borrower:** Denver Omelet Buffet, LLC
- **Ownership:** John Denver 50% (Member) and Jimmy Buffett 50% (Member)
- **Total Project Amount:** $500,000
- **Guarantor:** John Denver and Jimmy Buffett
- **Collateral:** 1st Lien on Business Assets of Denver Omelet Buffet, LLC
- **Injection**: $50,000 (personal bank accounts of owners 25k each)
- **Use of Proceeds**: Purchase the assets of the business known as “Rocky Mountain High, LLC”

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Equity Injection

Case Study 2

- How many month’s banks statement should you get?
- During the review of personal bank statements for John Denver you see that he had $5,000 in March, $4,000 in April and then $40,000 in May. Is this a red flag?
- What if the loan does not close until August? Do we need more statements?
- Why is the injection $50,000?
- Are injection documentation requirements different for 504 loans?

Ref. Pg. 180-182 SOP 50 10 5(k) - Collateral and Environmental Policies
13 CFR 120.150(f)

Equity Injection

Case Study 2

- Can you use payments made by an affiliate towards equity injection?
- What obstacles do you see with lenders trying to obtain equity documentation prior to closing? How do you overcome those obstacles?
- How do you properly document a gift? Can a gift be made by a corporation?
- How do equity requirements differ in a business acquisition by a new owner as opposed to a partner buyout?
- Do expenses ever “expire” for the purpose of inclusion in equity injection? Should old expenses be counted?
- If a lender requires more equity injection than SBA, how should it be documented?

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Collateral

Case Study 2

- Do you have to take a lien on vehicles in a business acquisition?
- When is a landlord waiver required?

Ref. Pg 194-196 SOP 50 10 5(k) - Collateral
Ref. Pg. 200-201 SOP 50 10 5 (k) - Landlord Waiver

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Case Study #3

- **Borrower:** 14ers, LLC formed in California
- **Co-Borrower:** Mount Whitney, LLC ("Mount Whitney") formed in California, Pikes Peak, LLC ("Pikes Peak") formed in Colorado, and University Peak, LLC ("University Peak") formed in Alaska
- **Total Loan Amount:** $5,000,000
- **Use of Proceeds:** Purchase the CRE in Alaska and refinance debt

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Collateral

Case Study 3

- What are some common pitfalls lenders face with respect to liens in the context of a debt refinance?
- How much title insurance should we get?

Ref. Pg 131 SOP 50 10 5(k) - Debt Refinance,

Title

Case Study 3

- Where are title searches ordered?
- Is title insurance required for all locations?
- What lien instruments are required?

Questions?

Thank you!