

Great Lakes Asset Corporation

SBA Certified Development Company

eNewsletter

2009 Board of Directors

Chris Cumicek – President
Paul Northway – Vice President
Cynthia Esterling – Secretary
Kent Nelson – Treasurer
Craig Aderhold – Member
Mike Anderson – Member
Joan Kinate – Member
Jeff Mirkes – Member
Karen Monfre – Member

Loan Committee

Dick Baumgarten
Dennis Lautenschlager
Steve King
Frank Newell
Ted Penn
Dewey Schrader
Ron Van Straten
Pat Webb
Chuck Riley

Mission Statement

To provide alternate sources of financing for businesses to qualified applicants regardless of race, creed, nationality or gender within the Great Lakes Asset Corporation service area by complementing financial institutions and economic development activities.



Announces Changes to Policies

Fox Valley Technical College hosted a small business panel discussion last month, addressing the provisions in the recently enacted **American Recovery and Reinvestment Act** that provides substantial opportunities for small business owners and entrepreneurs.

Congressman Steve Kagen, Eric Ness, SBA WI District Director, and **Cindy Esterling**, Executive Director, Great Lakes Asset Corporation were among the panel participants. They highlighted the benefits of these provisions, and the positive impact they will have on small businesses.

The changes that affect the **SBA 504 Loan Program** include:

- **Temporarily eliminating certain fees** for borrowers and lenders on 504 loans. The SBA estimates that it will be able to eliminate these fees through 12/31/09.
- **Providing liquidity to lenders** by allowing SBA to guarantee 504 first mortgage pools sold into the secondary market.
- **504 refinancing** - allowing borrowers to refinance a limited amount of debt as part of a new 504 small business expansion project. SBA is still working on the details of implementing this policy.
- **Amending job creation goal** – increasing the ratio from one job per \$50,000 to one job per \$65,000 on the 504 portion of the loan.

All of these changes enhance the SBA 504 Loan Program. The best program for business owners to purchase fixed assets has become even better.



Cindy Esterling, Great Lakes Asset Corporation, Executive Director (left), **Eric Ness, SBA WI District Director** (center) and **Congressman Steve Kagen** (right).

Record Low Interest Rate

A recent press release from the **National Association of Development Companies** (NADCO) reported that the interest rate for a 20-year SBA 504 loan has hit a record low for the projects funded in April 2009.

The rate is the lowest since the inception of the 504 Loan Program in 1986. The debentures that funded April's SBA 504 loans were sold to investors at an interest rate of 4.31%.

This low interest rate coupled with the new fee reductions provided by the Congressional stimulus bill led to an effective **interest rate of 5.25%** on a 20-year loan. There is just no better deal available for the purchase of real estate, construction of a new building or expansion of an existing building, except maybe a 10-year loan for M & E at 5.07%!

April SBA 504 Loan Rates
20 year – 5.25%
10 year – 5.07%

Valuations: What's behind the number?

By Chris Cumicek - Guest Columnist

In today's banking climate, lenders use their knowledge of the concepts of business valuation more than ever. Loan officers must decide when a formal third party valuation is required and when an estimate a value will suffice.

Lenders need to recognize the components of a proper valuation, including goodwill calculations, growth projections, and accepted cashflow adjustments.

A valuation, to be honest, is an inexact science. While the results can be somewhat subjective, experienced practitioners follow industry principles to achieve reliable outcomes.

At Cornerstone, we offer two forms of analysis: an estimate of value and a third party valuation.

With our in-house estimate of value, we approximate fair market value by doing an overall market analysis based on comparable industry sales. We provide a range of value as well as a potential transaction structure.

In addition, we substantiate this estimate with a hypothetical lending model. By that, I mean we check our value against cash flow to determine if the business is generating enough income to pay both an owner's salary and service the debt.

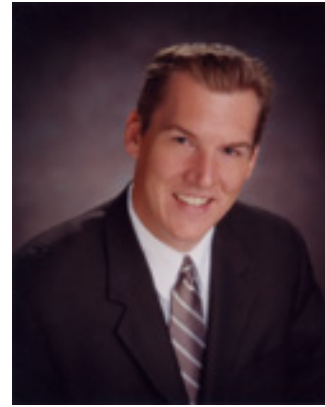
The estimate of value is a lower cost, fast turnaround (typically two weeks) tool appropriate for internal reviews, conventional loans, and SBA loans under \$250,000. It is also useful for business owners contemplating a sale or for tax and estate planning purposes.

The next step after our in-house estimate is a third party valuation, which is required by the SBA for any sale over \$250,000 and is likewise recommended for large transactions.

A third party valuation may use a number of models: the income approach, the market approach, and the asset approach.

The most common, straightforward is the **income approach**. This method values a business based on cash flow and projected earnings.

The **market approach** uses actual prices for which other firms in the industry have sold. The company to be valued is compared with the recent sale of businesses similar in location, size, and/or other factors.



Chris Cumicek, CBI
Business Transaction Advisor

From the market approach we get industry multiples or rules of thumb for calculating a selling price. "Multiples" suggest that a company's earnings multiplied by a standard industry factor (e.g. \$2MM x 3) is an appropriate selling price.

The market approach is limited by the number of comparable transactions available for comparison and the information obtainable from these sales. It does, however, provide a reality check against other valuation methods.

The **asset approach** is the least common method used when valuing a business as it doesn't reflect fair market value by accounting for future sales or goodwill. An asset-based valuation may be used when a company has real estate and other assets, but no intangible value.

The intangibles in a business valuation—growth opportunities, buyer synergies, a strong management team—may be somewhat reflected in the income and market valuation approaches. An expert will incorporate intangibles using proprietary data. A third party valuation may include a narrative, explaining how intangibles could impact the suggested selling price.

Valuations are essential for all parties involved in a transaction. For owners considering a sale, an estimate of value helps establish reasonable expectations and determine the appropriate time to sell. For buyers, of course, it provides some assurance they're not paying more than fair market value.

In today's environment, when our financial institutions face both regulatory and public scrutiny, lenders need to prove that their loan activity is reasonable, a valuation supports this.

Chris Cumicek is board president for the Great Lakes Asset Corporation. He is a Certified Business Intermediary with Cornerstone Business Services, a Midwest M&A firm headquartered in Green Bay. Prior, Chris worked as a commercial lender for a regional bank.

2009 Lender's Conference

Mark your Calendars!



May 20-21, 2009
Radisson Hotel and
Conference Center
Green Bay, WI

- Expert speakers on Thursday, May 21st at the Radisson Hotel and Conference Center
- Breakout workshops
- Networking opportunities

Call the Small Business Development Center, U.W. Stevens Point (715-346-3838) to register or visit their website <http://www.uwsp.edu/conted/lenders>

The Lenders Conference is going to be held in Green Bay this year!

Great Lakes Asset Corporation is proud to be a sponsor of this exciting event. Be sure to visit us at our booth in The Atrium at Lambeau Field.

2009 Lender's Conference:

- Golf Outing on Wednesday, May 20th at Thornberry Creek Country Club
- Experience the Legendary Lambeau Field at Wednesday night's reception and dinner with Larry McCarren

Board Member Relocates

Larry Gajda has accepted a new position at a bank in the western part of the state; consequently, he has resigned as a member of the GLAC Board of Directors. Larry served on the GLAC Board from 2006-2009.

In his letter to Cindy, Larry graciously stated, "I have thoroughly enjoyed my time working with you and the great team you have established at GLAC".

GLAC extends their heartfelt thanks to Larry. We will miss him and wish him all the best.

SBA 504 Loan Success Stories



Dr. Brian Schaeffer established his dental practice in Green Bay in 1986. After leasing for several years, he decided to build a state-of-the-art facility in Howard-Suamico.

He worked with **Mike Vogel** of **Nicolet Bank** to structure a 504 loan through **GLAC**, to assist in the construction of this 4,100 square foot building.

SBA 504 Loan Success Stories (Cont.)



Jeffrey and Vicki Vollenweider have owned the **CoHo Motel and Gift Shop** in Kewaunee since 1994. The original motel had 16 units. This expansion project more than doubled the size of the motel, with 36 rooms and suites. **Jim Lamack** of **Union State Bank** assisted the owners with the funding of this project. **GLAC's** 504 funds offered the borrowers long-term, fixed-rate financing on this expansion.

The lakeside community of Kewaunee is a tourist and fishing destination. **CoHo Motel and Suites** is open year round and offers a million-dollar view of Lake Michigan.



The **Animal House** was established in 2004. Owner **Dr. Patrick Warpinski** worked with **Julian LaMue** of **Associated Bank** and **GLAC** to purchase the 4,970 square foot facility that he occupied.

The Animal House provides veterinary care for domestic animals. Services include wellness examinations, vaccinations, medical evaluations and surgical procedures.



Great Lakes Asset Corporation

1317 Lombardi Access Road
Green Bay, WI 54304
800-281-6444
920-499-6444
920-499-7331 Fax
www.greatlakesasset.com

Cynthia Esterling, Executive Director
cdcqlac@aol.com or glac@greatlakesasset.com

Maureen Davitt, Portfolio Manager & Editor
md@greatlakesasset.com

Linda Vander Heiden, Closing Specialist
lvglac@aol.com