

# RURAL BUSINESS BANK

**business banking is our business**

Guaranteed Lending Division  
100 Main Street  
Ruraltown, OR 90000  
Ph: (971) 756-2070  
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## AN ILLUSTRATIVE PREAPPLICATION LETTER

XXXXXXXXXX

Business Programs  
USDA Rural Development  
1201 NE Lloyd Blvd., Ste. 801  
Portland, OR 97232

PREAPPLICATION LETTER: Example, Inc.

Dear USDA Rural Development:

Business Bank has completed a preliminary review of a proposed B&I loan and is ready to complete the preapplication process. We are willing to finance the following project with a B&I guarantee.

Loan Request:        \$2,000,000 – 80% B&I guarantee

Lender:            Business Bank  
                         100 Main Street  
                         Ruraltown, OR 90000  
                         Federal Tax ID # 95-9876543

Contact:        Brad Bucks, Vice President  
                         (971) 756-2073        Fax: (971) 756-2055        E-mail: [bb@rbb.biz](mailto:bb@rbb.biz)

Applicant:        Example, Inc.  
                         123 NW Business Way  
                         Ruraltown, OR 90000  
                         Federal Tax ID # 99-1234567

Contact:        John Example, CFO  
                         (971) 123-1234        Fax: (971) 123-1255

The Business and Its Financial Position:

Example, Inc. is an S corporation. John and Mary Example each are 50% stockholders. Example, Inc. was founded in 1981 and is a maker of finished XXXXX products (NAICS code XXXXX). Products made by Example include XXXXX, XXXX, and XXXXXXXX. Their operations are located in Ruraltown, OR.

Example, Inc.'s balance sheet (attached) reflects more than the 10% equity position required by the B&I program for an existing business. There is no delinquent debt.

The Project and the Site:

Example is looking to upgrade and expand their plant in Ruraltown in order to produce more of their XXXXX products line. The proposed real estate improvements will consist of XXXXXX.

Source of Funds:

B&I Loan	\$2,000,000
Borrower injection	<u>\$ 150,000</u>
Total	\$2,150,000

Use of Funds:

Refi existing RE debt	\$ 900,000
Upgrade facility	\$1,050,000
Permits & fees	\$ 50,000
Loan fees & soft costs	<u>\$ 150,000</u>
Total	\$2,150,000

The development will all occur at the company's existing 10-acre site in the Ruraltown business park. The site is commercial and is surrounded by other commercial parcels.

Employment and Average Wage Rate:

Example, Inc. employs 30 people full time. The expansion of the facility will add 10-plus employees. The average wage rate at the company is \$14.50 per hour.

The creation of these jobs will be very beneficial to a county that suffers from high unemployment and whose economy has been hard-hit by a series of natural disasters and by the decline of the area's resource-based economy.

The Loan

A 30-year B&I loan is proposed. The interest rate has been tentatively agreed upon as the Prime plus 1.5. Payments will be scheduled monthly.

Our bank will be providing interim construction financing, to be taken out by the permanent B&I loan.

Collateral:

The collateral will be a first lien on Example, Inc.'s 10-acre commercial facility in Ruraltown. An appraisal has been ordered, and we do not expect the Loan-to-Value to exceed 80%.

Legal or regulatory concerns:

Our due diligence has not disclosed any pending adverse actions against the company, its affiliates, officers, or principals.

Your prompt review of this preapplication is appreciated. Please contact me at the bank to set up a visit to the business as soon as possible. Feel free to contact me should you have any questions.


Sincerely,

BUSINESS BANK



Bradley T. Bucks  
Vice President

EXAMPLE, INC.



Mary Example  
Executive Vice President

Enclosures: Map showing project location  
Financial statements & projections  
Pro forma balance sheet  
Business plan