



LOAN PRESENTATION

Loan Type: SBA 7(a) SBA 504 Conventional Interim Construction

Business Applicant Name:	[REDACTED]		
BLF Professionals:	Dave Nighswander-Joe Wojtowicz	Loan Amount:	\$961,500
Bank Name	[REDACTED]	Bank Contact	[REDACTED]
Type of Business:	Child Daycare Center	Maturity:	25 Yrs
Franchise (Yes/No):	No	Rate:	6.0% Variable (P+2.75%)
Franchise Name:	N/A	NAICS Code:	624410

Business Type: Start-Up Refinance Business Acquisition Expansion

Management & Guarantors			
Names	Title	% Owned	Personal Gty (Yes/No)
[REDACTED]	Member	75%	Yes
[REDACTED]	Member	25%	Yes

Package Checklist:

Personal / Guarantor Information	Business Information
<input checked="" type="checkbox"/> Application Forms	<input checked="" type="checkbox"/> Business Tax Returns
<input checked="" type="checkbox"/> Written Explanation to Personal Declarations "yes"	<input checked="" type="checkbox"/> IRS Form 4506-T
<input checked="" type="checkbox"/> SBA Form 912 – Stmt. Of Personal History	<input type="checkbox"/> Business/CPA Prepared Year End Financial Statements
<input checked="" type="checkbox"/> Personal Credit Report (Provided by Applicant)	<input checked="" type="checkbox"/> Current Interim Balance Sheet & Income Statement
<input checked="" type="checkbox"/> Written Explanation of any Derogatory Credit Items	<input checked="" type="checkbox"/> A/R & A/P Aging (Dated same date as current interim)
<input checked="" type="checkbox"/> Copy of Driver's License	<input checked="" type="checkbox"/> Copy of All Notes to be Refinanced
<input checked="" type="checkbox"/> Personal Tax Returns	<input checked="" type="checkbox"/> One Year's Projections (Monthly)
<input checked="" type="checkbox"/> IRS Form 4506 - T	<input type="checkbox"/> Detailed Assumptions to Projections
<input checked="" type="checkbox"/> Last Year-End W-2	<input checked="" type="checkbox"/> History of the Business (Narrative)
<input checked="" type="checkbox"/> Most Recent Pay Stubs (Applicant & Spouse)	
<input type="checkbox"/> Verification Documents for Source of Cash Injection	Seller Information
	<input checked="" type="checkbox"/> Business Tax Returns
	<input checked="" type="checkbox"/> IRS Form 4506-T
	<input type="checkbox"/> Business/CPA Prepared Year End Financial Statements
	<input checked="" type="checkbox"/> Current Interim Balance Sheet & Income Statement
	<input checked="" type="checkbox"/> A/R & A/P Aging (Dated same date as current interim)
Franchise Information – N/A	
<input type="checkbox"/> Copy of FDD	
<input type="checkbox"/> Letter of Approval from Franchisor	
Start-Ups – N/A	Affiliate Information
<input type="checkbox"/> Estimated Project Cost Worksheet	<input checked="" type="checkbox"/> Business Tax Returns
<input type="checkbox"/> Business Plan	<input checked="" type="checkbox"/> IRS Form 4506-T
<input type="checkbox"/> Two Year's Projections (Monthly)	<input checked="" type="checkbox"/> Business/CPA Prepared Year End Financial Statements
<input type="checkbox"/> Detailed Assumptions to Projections	<input checked="" type="checkbox"/> Current Interim Balance Sheet & Income Statement
	<input checked="" type="checkbox"/> A/R & A/P Aging (Dated same date as current interim)



Purpose of Loan:

The loan will allow current 50% owners [REDACTED], LLC (Mr. & Mrs. [REDACTED]) to acquire 100% ownership through buyout of partners (Mr. & Mrs. [REDACTED]) and continue to provide childcare services to the community.

Use of Proceeds:

BizLoanFunding	Real Estate (Y or N)	Y
Loan Name: [REDACTED]	Interim Constuction (Y or N)	N
Location: [REDACTED]	Number of Interest Only Months	0

Use of Proceeds	Term	Lender	Applicant	Seller Note	Other	Total
Land	25	-	-	-	-	-
Building	25	-	-	-	-	-
Construction	25	-	-	-	-	-
Construction Contingencies	25	-	-	-	-	-
Construction Monitoring Fee	25	-	-	-	-	-
Interim Interest	25	-	-	-	-	-
Refinance Real Estate	25	773,000	-	-	-	773,000
Machinery & Equipment	10	-	-	-	-	-
Inventory Purchase	10	-	-	-	-	-
Refinance Equipment/Inventory	10	-	-	-	-	-
Franchise Fee	10	-	-	-	-	-
Working Capital	7	-	-	-	-	-
Soft Cost/Pre-Opening Expenses	7	-	NA	-	-	-
Goodwill	10	138,500	-	-	-	138,500
Estimated Closing Costs (H25)	7	50,000	-	-	-	50,000
Other:	7	-	-	-	-	-
Total		961,500	-	-	-	961,500
Percentages		100%	0%	0%	0%	
Weighted Average Loan Term:	25	Estimated Closing Costs				46,000
Expected Rate	6.00%	FICO Scores	726	507		

The loan proceeds will be used to (a) refinance existing real estate loan balance on subject property located at [REDACTED] Rd., [REDACTED], Ohio, (b) acquire 100% ownership through buyout of current partners' goodwill, and (c) loan closing costs.

Source of Cash Injection:

Source	Description	Verification Doc In File (Yes/No)	Amount
Bank Accounts			
Retirement Roll Over			
Land Equity			
Home Equity			
Early Inheritance			
Monies Already Invested			
Gift			
Sale of Assets			
Total			\$ N/A



Credit Report:

Mr. [REDACTED] has a credit score of 726.

Mrs. [REDACTED] credit score is 507 with the bureau showing 8 small medical collections and a \$ [REDACTED] judgment. In reviewing this with Mrs. [REDACTED] she indicated that [REDACTED] treated for [REDACTED] this past year and that there have been billing issues that she has not yet been able to get straightened out. The judgment was from a leased Ford vehicle where she was charged for excess wear and tear when it was turned in. She initially disputed the bill but is currently make payments with the balance reduced to about \$ [REDACTED]. This can be paid and satisfied as a condition of this loan. Please see her explanations for each delinquency on her credit bureau file.

Financial Information:

	Year	Year 1	Year 2	Year 3	Year 4	Projection
	Date	12/31/08	12/31/09	12/31/10	12.31.11	Year 1
Balance Sheet Summary	Months	12	12	12	9	12
Total Current Assets		260,894	5,575	7	48,076	48,076
Net Fixed Assets		872,165	1,083,940	1,049,178	1,078,940	1,078,940
Intangibles		-	-	-	-	-
Other Assets		-	784	784	784	189,284
Total Assets		1,133,059	1,090,299	1,049,969	1,127,800	1,316,300
Total Short Term Liabilities		30,972	28,892	20,084	13,882	30,998
Long Term Debt		817,430	803,852	789,183	768,792	940,176
Net Worth		284,657	257,555	240,702	345,126	345,126
Total Liabilities & Net Worth		1,133,059	1,090,299	1,049,969	1,127,800	1,316,300
	Variances	Balanced	Balanced	Balanced	Balanced	Balanced
Balance Sheet Ratios		12/31/08	12/31/09	12/31/10	12.31.11	Year 1
Current Ratio		8.42	0.19	0.00	3.46	1.55
Working Capital		229,922	(23,317)	(20,077)	34,194	17,078
Debt to Tangible Net Worth		2.98	3.23	3.36	2.27	2.81

Balance Sheet:

At FYE 12/31/10 the company had total assets of \$1,049,949, primarily from the real estate, furniture and fixtures. There was minimal cash on hand at year end. Current Liabilities of \$20,084 and long-term debt (mortgage) of \$789,183 comprised the total liabilities of \$809,267, with Equity of \$240,702 for a DTW ratio of 3.36.

At 12-month FY 2011 interim, 12/31/11, there were total assets of \$1,127,800 including \$48,076 in current assets and \$784 in other assets. Current liabilities were \$13,882 and long-term debt of \$768,792 with Equity of \$345,126 for a DTW ratio of 2.27. Pro-forma balance sheet indicates a DTW ratio of 2.81.

Sageworks Industry Analysis shows 840 statements and an Industry Peer Average of 3.01. RMA shows 222 peers by Sales and a median DTW ratio of 11.9, with median net worth for all 546 peers regardless of revenues of 3.5.

Repayment Ability:

At 12/31/10 the company had revenues of \$400,511, and consistent with the previous two years. Given that the daycare facility operates at maximum occupancy one would expect consistency in revenues. SG&A is flat and consistent as is the Operating Profit and EBITDA.

The center shows a nominal net loss after depreciation and interest expense for FY 2010 year end.

Historical cash flow has been positive for all years reviewed. A price increase in May, 2011 is reflected in the 12-month year-end statement. Revenues were \$412,937 for FY 2011 and than the previous two fiscal years.

DSCR for FY's 2008, 2009, 2010 & 2011 Interim (9/30/11) are; 1.21., 1.48, 1.51, and 2.10 respectively. Projected DSCR is 1.95.



Global DSCR, including (the affiliates) [REDACTED] Corp and [REDACTED], LLC, is 2.80, 2.53, 1.61 and 3.62. (Based on 12 months for [REDACTED], LLC and 9 months for the 2 affiliates).

The proposed buyout will reduce legal and accounting fees, and facilities maintenance expense going forward. Mr. [REDACTED]'s company will provide maintenance for the facility.

The financial statements show an ability to make payments based on the established revenues and EBITDA.

There has been a disincentive to leave cash on the balance sheet due to the ongoing litigation with partners, resulting in a weak working capital position. However, cash both personally and in the affiliate companies can be accessed for temporary working capital needs.

Interest Rate Sensitivity: The interest rate is variable and subject to change.

Applying a 2% increase in the prime rate results in DSCR for the applicant business for the previous four fiscal years, and pro-forma of 1.01, 1.24, 1.26, 1.31 & 1.62 respectively.

Applying a 2% increase in the prime rate results in global DSCR for the previous three fiscal years and 9-month interim of 2.40, 2.18, 1.38 and 2.84 respectively.

Note:

[REDACTED] will double her salary as the full time administrator, however elimination of salary to [REDACTED] offsets this increase. Future EBITDA will be positively impacted by reduced maintenance expense (to be taken over by [REDACTED]), as well as a reduction in legal expenses.

Cash Flow / Coverage	12/31/08	12/31/09	12/31/10	12/31/11	Year 1
Total Revenues	425,111	397,912	400,511	412,937	456,000
Net Profit After Tax	(23,517)	(7,966)	(16,853)	33,166	87,456
Depreciation & Amortization	42,045	37,925	34,762	-	-
Interest Expense	65,275	64,020	61,785	45,326	57,211
(Owner's Draw)	6,410	16,055	32,210	38,400	-
Rent Expenses	-	-	-	-	-
Other:	-	-	-	-	-
Total Cash Available	90,213	110,034	111,904	116,892	144,667
New SBA Loan P & I	74,339	74,339	74,339	74,339	74,339
Existing Debt P & I	0	0	0	0	0
Other:	-	-	-	-	-
Other:	-	-	-	-	-
Total Cash Required	74,339	74,339	74,339	74,229	74,339
Cash Flow / Coverage	15,874	35,695	37,565	42,553	70,328
Coverage Ratio	1.21	1.48	1.51	1.57	1.95



Collateral Information:

Collateral Summary	Market	Prior Liens	Liq. Factor %	Liq. Value
Real Estate	650,000	-	75%	600,000
Machinery & Equipment	-	-	50%	-
Furniture & Fixtures	16,000	-	10%	1,600
Vehicles	-	-	25%	-
Inventory	-	-	10%	-
Accounts Receivables	-	-	10%	-
Personal Real Estate	400,000	268,000	80%	55,000
Other: ██████████ R/E	397,170	159,000	75%	141,000
Total Collateral	1,463,170	427,000		679,978
Loan to Liquidation Value				141%

An ALTA-insured first mortgage on the real property located at ██████████ Rd., ██████████, OH. The property is owned by ██████████, LLC, and is occupied 100% by the business. Original cost was \$1,147,122. At this writing, an updated appraisal has been ordered and came in at \$650,000 FMV. Mr. ██████████ provided a copy of the original plans for the center. The facility was built with the idea that it could readily be converted for other purpose and uses, i.e. office space. The property is zoned as multi-use. The immediate surrounding area features offices, a recreation facility, a restaurant and an industrial park directly across the street.

An ALTA-insured second mortgage on the real property located at ██████████ Rd., ██████████, Ohio subject to a first mortgage held by ██████████ Bank in the approximate amount of \$██████████. The property is owned by ██████████, LLC. ██████████ is 100% owner of the LLC. The property has an estimated current value of approximately \$397,170 based on the ██████████ County Auditor's tax valuation of \$294,200 (294,200 x 1.35), and produces monthly rental income of \$██████████.00.

An ALTA-insured third mortgage on the personal residence of Mr. & Mrs. ██████████ located at ██████████ Dr., ██████████, OH subject to a first mortgage held by ██████████ in the approximate amount of \$██████████,000, and a 2nd lien (H.E.L.O.C.) in favor of ██████████ in the amount of \$██████████,0000. The property is held as joint tenants by ██████████, and current appraised value of \$400,000.00.

First UCC lien position on all business assets. FF&E at original cost of \$16,000.

In addition to the aforementioned collateral, the loan will be unconditionally guaranteed by ██████████ personally, and cross-corporate guarantees and collateral from ██████████ Corp. and ██████████, LLC.

History of Business / Franchise Summary:

██████████, LLC is a child care facility licensed by the State of Ohio - Jobs and Family Services Department providing day care services to working parents in ██████████, Ohio. Child care is provided for children from six (6) weeks through fourth (4th) grade, Monday – Friday from 6:30 AM – 6:30PM. The facility is licensed for a total of ninety (90) enrollees, and operates at or near maximum capacity.

Construction on the ██████████ facility was completed in 2006. and began operations in 2007. From inception the center has been jointly owned by ██████████ (50%), and ██████████ (50%), and operated by ██████████ and ██████████ on alternating weekly schedules.



A buyout has been reached between the parties which will leave [REDACTED] as the sole owners of [REDACTED], LLC. In order to complete the transaction, the [REDACTED]'s are requesting an SBA 7a loan in the amount of \$961,500 to refinance the existing first mortgage on the day care facility property held by [REDACTED], and to acquire the [REDACTED]'s interest in the LLC, along with estimated fees & expenses.

The Borrower's attorney, Mr. [REDACTED], indicated that the amount of \$ [REDACTED] allocated in Use of Proceeds should be sufficient to settle the acquisition with the [REDACTED]. He also indicated that there would be a number of adjustments before final settlement.

By acquiring the 50% interest of the [REDACTED]'s sole management decisions will fall to the [REDACTED]'s. And, the center will continue its positive trends. .

Market & Competition:

There are [REDACTED] licensed day care facilities in [REDACTED]; 4 that cater to all age groups. According to the ODJFS, [REDACTED] is the highest rated day care in [REDACTED]. [REDACTED] has established 'zones' for each day care to service elementary schools in their area. Public busing is provided to and from the schools in each zone making it difficult for a new facility to enter the market.

[REDACTED] is the biggest competitor based on location according to the owners. However, based on size, quality of care and esthetics; they believe their facility is much better. With a focus on quality care [REDACTED] – by design - operates at below the licensed capacity and above the minimum child-caregiver ratio. The day care facility has a waiting list and turns away new clients daily. Their most current occupancy rates are as follows: Infant Care, [REDACTED] full time, [REDACTED] part time; Toddlers, [REDACTED] FT, [REDACTED] PT; Pre-School, [REDACTED] FT, [REDACTED] PT; Pre-Kindergarten, [REDACTED] FT, [REDACTED] PT; Alternate Kindergarten, [REDACTED]; 1st-4th grade School Aged, [REDACTED]; Private Pre-School and Pre-Kindergarten, [REDACTED]. Total [REDACTED]. Almost all revenues are private pay, with only a few families eligible for assistance.

Licensed centers are inspected in more than 40 areas at least twice a year. [REDACTED], LLC's last Compliance Inspection was [REDACTED]/11 at which time they were cited for a broken outlet cover plate in the school age children's room and several minor policy and procedure items. Compliance was obtained by the [REDACTED]11 deadline for corrective action.

Day Care Facilities in [REDACTED]

Source: Ohio Department of Jobs and Family Services 10/28/11

License Capacity

Current Enrollment

	Infant	Toddlers	Preschool	Schoolagers	Total
[REDACTED]	8	16	38	28	90
[REDACTED]	4	17	24	18	63
[REDACTED]	12	42	124	60	238
[REDACTED]	10	19	61	59	149
[REDACTED]	10	14	26	18	68
[REDACTED]	9	10	24	13	56
[REDACTED]	0	0	45	52	97
[REDACTED]	0	0	22	39	61
[REDACTED]	12	30	35	13	90
[REDACTED]	5	2	24	10	41
[REDACTED]	0	8	90	20	118
[REDACTED]	0	0	178	5	183
[REDACTED]	0	0	0	126	126
[REDACTED]	0	0	0	75	75
[REDACTED]	0	0	0	54	54



██████████	0	0	0	53	53
██████████					

Childcare Facilities

Industry Overview

The US child-care facilities industry includes about 53,000 commercial facilities with combined annual revenue of \$18 billion, plus about 21,000 facilities run by nonprofit organizations with combined annual revenue of about \$12 billion. Major companies include Bright Horizons Family Solutions, Knowledge Learning, and Learning Care Group. The industry is **highly fragmented**: the top 50 companies generate less than 20 percent of revenue.

COMPETITIVE LANDSCAPE

Demand is driven primarily by growth in the youth population, and secondarily by employment and income. The **profitability** of individual child-care facilities depends on good **marketing** and **efficient operations**. Large companies have economies of scale in advertising and administration. Smaller companies can compete effectively in local markets by owning convenient locations. The industry is **highly labor-intensive**: annual revenue per worker is about \$35,000.

PRODUCTS, OPERATIONS & TECHNOLOGY

Child-care centers provide supervision and educational programs for pre-school and school-age children. Most commercial companies operate child-care centers that are **open to the public**, but some operate **employer-sponsored** centers for employees' children. Likely operators of employer-sponsored centers include companies, universities, and military bases. In addition, some operators of traditional child-care facilities have opened childcare/entertainment facilities at shopping malls, gyms, and casinos to provide hourly care.

A typical facility occupies 12,000 square feet with kitchen, bathrooms, and play areas. In addition to the physical building, facilities typically include outdoor play space, often equivalent to half the square footage of the building. Hours may be from 6 am to 6 pm, but facilities can't close until all children have been picked up, resulting in later hours if parents or guardians are delayed. Some facilities are open overnight to accommodate parents with nonstandard work schedules.

Educational programs have the goal of advancing emotional, physical, social, and intellectual skills. Offerings vary according to the ages of children under care, which may range from 6 weeks to 12 years or older. Some care centers transport children to and from schools, activities, and homes, but most require parents to provide their own transportation. A growing number of centers call themselves "**early childhood education**" facilities. Some companies target wealthier customers by offering facilities with elaborate options such as tennis courts, foreign language classes, exercise rooms, and computer training.

Facilities typically employ fewer than 20 workers and accommodate about 120 children. The average **ratio of children-to-staff** varies according to the age of the child: 6:1 for infants and toddlers; 10:1 for preschoolers; and 15:1 for school-age children. State regulations may mandate the ratio. Low children-to-staff ratios are a primary selling point for facilities.

Occupancy and **tuition** are common operating measures in the industry. Occupancy may vary during the day or during the week if some children attend part-time. Tuition is usually collected weekly or monthly and varies greatly from market to market and firm to firm. Hourly rates for part-time attendance generally are higher than fees for full-time attendance.



Traditionally low-tech businesses, child-care facilities are increasingly adopting **computer technology** for use in back office systems and as educational tools. Centers may also use **security cameras** to monitor interaction among staff and children, and allow parents and guardians to view their children remotely via the Internet.

SALES & MARKETING

Typical customers are **parents** of pre-school and school-age children. About 12 million US children younger than 6 were in some type of child care every week as of April 2009, according to the National Association of Child Care Resource and Referral Agencies. For companies able to maintain multiple locations, customers also include employers that might choose to maintain on-site child-care facilities for the benefit of workers.

Marketing often includes newspaper, magazine, and Yellow Pages advertising. **Referrals** from existing customers are an important source of new business and are sometimes encouraged through financial incentives. One important marketing tool for a child-care facility is **accreditation**. The National Association for the Education of Young Children is one of several associations that establish standards for facilities and staff. Besides perceived quality, convenient **location** is important to many parents choosing child-care facilities.

Average weekly **tuition** can range from \$100 to \$300 per child, depending on the market. In contrast, care from an unregulated home provider may cost \$50 per week, and care from a nanny may cost \$500.

FINANCE & REGULATION

Cash flow is uneven throughout the year because of slower demand in the summer. New enrollments are highest in the fall back-to-school season. **Receivables** are usually low because payments by parents or guardians are typically made in advance. Receivables may come from corporate sponsors or government agencies that subsidize child-care.

The annual cost to operate a child-care facility averages \$5,500 per child, but varies according to enrollment and quality of care. Centers with high enrollment are better able to spread fixed costs across a larger number of children; centers with limited services or hours of operation typically have lower costs than those offering special amenities. Labor costs are the major operating expense. The cost to build or buy and rehabilitate a building to meet child-care facility requirements can run from \$10,000 to \$30,000 per child.

Due to the high cost, space is usually **leased** rather than owned. Broad **liability insurance** is necessary, but the adverse publicity associated with any injury to children is often enough to shut a center down, regardless of insurance coverage. Child-care centers are **regulated** by states and often by localities. Licensing requirements vary, but typical standards concern the ratio of staff to enrolled children, staff training certification, building and equipment adequacy, dietary programs, and health and safety standards. Inspections are both scheduled and unscheduled. Certain federal government standards must be met for facilities that participate in federally funded programs designed to help lower income families. Child-care centers benefit from various state programs that help parents with expenses, and from federal tax credits available to parents under Section 21 of the Internal Revenue Code.

REGIONAL & INTERNATIONAL ISSUES

Requirements for businesses operating child-care centers vary greatly from state to state. Companies doing business in multiple states must take care to comply with operational requirements, guidelines, and regulations in the respective states. Centers increasingly care for children from a variety of cultures, backgrounds, and countries, and having multilingual staff is an advantage.

Demand for child-care services can vary sharply by state, according to demographics. States with the **greatest population growth** from 2008 to 2009 were Texas, California, and North Carolina; states where population shrunk or remained flat included Michigan, Maine, and Rhode Island.



HUMAN RESOURCES

Although successfully caring for children involves many skills, formal requirements for child-care workers are few, and average hourly industry wages are **significantly lower** than the national average. **Staff turnover** is high, sometimes as much as 50 percent per year, because of low wages, limited or no benefits, and a sometimes-stressful work environment. About 25 percent of workers are part-time.

Personnel recruiting and training are constant management concerns, especially in regard to appropriate conduct of employees and child safety. Illness and injury rates for the industry are about half the national average.

Business Challenges

CRITICAL ISSUES

Costs of Regulatory Compliance - Due to the nature of the services child-care centers provide, state regulation is detailed. Regulations can result in large cost increases for centers, particularly for certification, licensing, caregiver training, and compliance with government-required paperwork. Though regulations vary from state to state, they can specify the amount of space required per child; types of facilities, food, and care; hours of operation; types of personnel who must be available, such as nurses; personnel background checks; and the ratio of personnel to children.

Accident Liability - Centers face lawsuits and bad publicity if a child is injured while under their care, onsite or during company-run transport to and from the center. Playground injuries and inadequate supervision generate the most losses, according to insurers. Sudden infant death syndrome (SIDS) is a concern for child-care centers that accept infants; many have guidelines for placing and monitoring infants in cribs. Nearly all states require child-care workers to be trained in first aid and CPR.

OTHER BUSINESS CHALLENGES

High Workforce Turnover - Personnel turnover in a center can reach 50 percent a year, primarily due to employee dissatisfaction with low wages. Many states mandate high staff-to-child ratios, creating a cost-control issue that centers address by paying low wages. Only half of the states require child development training for caregivers.

Economic, Employment Downturns - Downturns in the economy and particularly employment can dramatically impact enrollment at child-care facilities. As household income tightens, child-care facilities often lose children to less-expensive at-home care or relatives. During periods of severe job cuts, such as in the late 2000s recession, jobless parents and guardians tend to care for children, reducing demand for child-care facilities.

Competition from Non-Profits, School Systems - Commercial child-care centers face competition from non-profits such as churches, and from school systems that run before- and after-school programs. Such competitors, subsidized through donations or taxes, use facilities that are otherwise unused and have a ready source of potential customers.

Germs, Diseases - Child-care facilities struggle to keep children from passing germs and diseases. Infants who attend day care have more colds and ear infections than those who stay at home, but these infections may provide protection against infections and allergies later, studies have shown. Of the 50 states, about half require child-care workers to be trained in preventing the spread of communicable diseases.

Trends & Opportunities

BUSINESS TRENDS



Demographic Shift - The population of children of the right ages for child care is expected to increase in the near future, creating greater demand for child-care services. The number of children under 5 years old is projected to increase 8 percent between 2010 and 2020; the number of children age 5 to 13 is expected to increase 10 percent.

Government Spending Increases - Almost 35 percent of child-care industry revenue comes from various state and federal funding. Most programs being administered by states. Funding for federal programs to assist low-income families with child-care expenses has grown, and federal tax credits encourage the use of child-care by middle-income families.

Online Video Surveillance - Child-care centers nationwide are using video cameras that hook into the Internet and let family members "look in" on children from their computers. Parents can't hear what's going on, but can see their children's movements in real-time. Despite some concerns about privacy, many child-care experts expect other day care centers to follow suit in the near future.

Competition from Nannies - Child-care centers compete directly with nannies. The majority of nannies are employed full-time, don't live on premises, and are generally placed by a local nanny agency. Duties include tending to children's basic physical needs, preparing meals, washing laundry, organization of play activities and outings, and providing behavioral guidelines, discipline, intellectual stimulation, and transportation. Nannies work an average 40-60 hours per week, with an average weekly salary of \$500.

INDUSTRY OPPORTUNITIES

Employer-Sponsored Child-Care Services - Employer-sponsored programs encourage child-care use, provide a steady stream of revenue for centers under contract, and are one of the fastest-growing segments in the industry. Such programs, traditionally provided only by large corporations, are now popular with medium and even small businesses.

Some employers contract with child-care companies for a fixed fee per child that may include subsidies from the employer, such as reduced onsite rent. Other arrangements call for a child-care facility to reserve a certain number of spaces for the employer.

Deluxe Child-Care Centers - A growing number of "early childhood education" facilities offer expensive extras for the wealthiest of the nation's families with child-care-age children. Options include computer training, exercise and sports programs, and foreign language and music classes. Extra classes might be provided by staff members or by third-party contractors. Some deluxe centers offer value-added services to parents such as dry cleaning drop-off, haircuts for kids, and take-home suppers.

Nonstandard Hours - Demand for child-care services beyond the standard 9-to-5 workday is growing. While many parents have difficulty finding quality child-care, the choices are fewer and the search harder for those who work nonstandard hours. The issue of child-care during nonstandard hours is growing as more people work longer hours and/or overnight.

Industry Forecast

The output of child daycare facilities are forecast to grow at an annual compounded rate of 5 percent between 2010 and 2015. Data Published: September 2010

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Environmental Conditions:

The facility was constructed recently and complies with all building and environmental codes.

Affiliate Financial Information:

Affiliate 1 **Name** [REDACTED]

Cash Flow / Coverage	12/31/08	12/31/09	12/31/10	12.31.11	Projection
Total					
Revenues	707,198	1,433,715	728,819	628,408	
Net Profit After Tax	25,247	20,848	(36,879)	100,512	
Depreciation & Amortization	5,865	1,910	1,459	-	-
Interest Expense	10,476	4,995	11,674	9,806	
(Owner's Draw)	89,428	67,775	39,579	-	-
Rent Expenses	3,400	4,200	-	-	-
Other:			-	-	-
Total Cash Available	134,416	99,728	15,833	110,318	-
Existing Debt P & I	-	-	-	-	#REF!
Other:	-	-	-	-	-
Other:	-	-	-	-	-
Total Cash Required	-	-	-	-	#REF!
Cash Flow / Coverage	134,416	99,728	15,833	110,318	#REF!
Coverage Ratio					#REF!

[REDACTED] showed profits in 2008, 2009, a loss of \$36,879 in 2010 and is profitable in 2011. There is little long term debt but the company has had construction loans for larger projects. [REDACTED] is the holding company for two entities that provide [REDACTED]. This entity primarily uses subcontractors as needed; [REDACTED], which is a [REDACTED] company (est. 1996). This company has a full time crew.



Affiliate 2

Name [REDACTED]

Cash Flow / Coverage	12/31/08	12/31/09	12/31/10	12.31.11	Projection
Total Revenues	49,070	47,412	46,000	45,516	-
Net Profit After Tax	12,005	14,427	451	5,268	-
Depreciation & Amortization	5,412	4,987	4,824	-	-
Interest Expense	12,680	1,498	13,518	16,861	-
(Owner's Draw)	-	-	-	-	-
Rent Expenses	-	-	-	-	-
Other:	-	-	-	-	-
Total Cash Available	30,097	20,912	18,793	22,129	-
Existing Debt P & I	15,768	15,768	15,768	15,768	#REF!
Other:	-	-	-	-	-
Other:	-	-	-	-	-
Total Cash Required	15,768	15,768	15,768	15,768	#REF!
Cash Flow / Coverage	14,329	5,144	3,025	6,361	#REF!
Coverage Ratio	1.91	1.33	1.19	1.40	#REF!

[REDACTED], a lessor of mixed commercial/residential real estate on [REDACTED] Road next to the [REDACTED] library. That property consists of [REDACTED] commercial tenants and [REDACTED] residential [REDACTED].

Financial statements for all of Mr. [REDACTED]'s companies have been provided and are included in the financial analysis. A quick summary of each would show that [REDACTED] was profitable in 2008 and 2009, showed a loss in 2010 and is profitable for FY 2011. [REDACTED] has been profitable in all years under review and is profitable through 12/31/11.



Consolidated Affiliates with Borrower

Cash Flow / Coverage	12/31/08	12/31/09	12/31/10	12/31/11	Projection
Total Revenues	1,181,379	1,879,039	1,175,330	1,086,861	-
Net Profit After Tax	13,735	27,309	(53,281)	138,946	-
Depreciation & Amortization	53,322	44,822	41,045	-	-
Interest Expense	88,431	70,513	86,977	71,993	-
(Owner's Draw)	95,838	83,830	71,789	38,400	-
Rent Expenses	3,400	4,200	-	-	-
Other:	-	-	-	-	-
Total Cash Available	254,726	230,674	146,530	249,339	-
New SBA Loan	74,339	74,339	74,339	74,339	-
Existing Debt P & I	16,776	16,776	16,776	16,776	#REF!
Other:	-	-	-	-	-
Other:	-	-	-	-	-
Total Cash Required	91,115	91,115	91,115	91,115	#REF!
Cash Flow / Coverage	163,611	139,559	55,415	158,224	#REF!
Coverage Ratio	2.80	2.53	1.61	2.74	#REF!

Historical global cash flow for the last 4 fiscal years is 2.80, 2.53, 1.61 & 2.74.



Guarantor Financial Information:

Guarantor Summary

Names [REDACTED]

Personal Financial Statement Statement Date 12/10/2011

Assets:		Liabilities		Cash Flow	
	\$		\$		\$
Cash In Banks	75,000	Accounts Payable	-	Salaries	64,000
	\$		\$		\$
Retirement	-	Notes to Banks	28,700	Rental Income	46,000
	\$		\$		\$
Receivables	-	Notes on Real Estate	1,197,000	Interest Income	-
	\$		\$		\$
Stocks & Bonds	-	Other Liabilities	-	Total Income	110,000
	\$		\$		
Real Estate	1,463,170	Total Liabilities	1,225,700		
	\$				
Other Assets	496,417				
	\$				
Total Assets	2,034,587	Net Worth	808,887	Mortgage Pmts	11,967
					\$

Credit Report			
Individual FICO Score	726	Spouse's FICO Score	507
Tot. Account Histories	26		
Tot. Monthly Payments	\$ 1,836	Needed Annual Income	

Tax Returns	AGI
	\$
2010	50,478
	\$
2009	87,860
	\$
2008	114,589

The assets are primarily comprised of real estate holdings. Income is sufficient to cover debts payments and living expenses with a margin of 17% excess discretionary net income. Note: While the H.E.L.O.C. mortgage payment is part of the personal income/expense calculation, this payment is part of [REDACTED] business expenses.



Management Experience:

Ownership/Management:

Name	Title	Age	% of Ownership	Years of Experience
██████████		50	75	
██████████		48	25	5

Management Assessment:

At refinance the center will be owned as shown above. Per the ODJFS, ██████ has the required qualifications as an Administrator and has completed the Rules Review Course. All child-care staff members have verification of educational requirements on file at the center.

Back-Up Management:

Mrs. ██████'s assistant is capable of handling daily operations in her absence. In addition, the spouse providing facilities maintenance can provide administrative back up if/and when needed.

Summary Comments/Recommendation:

The ██████'s request to obtain financing to buyout their partners and refinance their current bank debt appears reasonable and within the parameters of SBA 7a SOP's. Based on the financial statements prepared by a disinterested 3rd party the day care center cash flow is stable and sufficient to support the proposed payments. The center is just over 5 years old and has strong curb appeal, and a waiting list. We have researched the center through appropriate sources and it appears that it is well managed with all required licenses. Mr. ██████ has several other businesses that help support the global cash flow.

Based on the established cash flow and global strength of the credit we recommend approval for a \$961,500 SBA 7(a) loan.