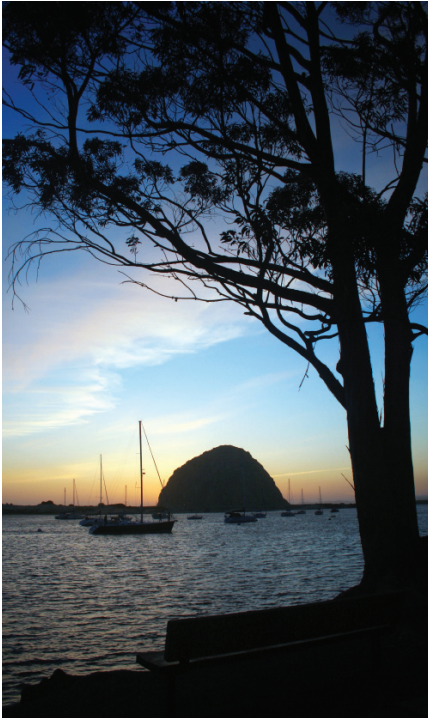


TECH CU CASE STUDY: SBA Lending

# Successful Hotel Owners Bring Special Brand of Hospitality to Morro Bay



Rakesh Panchal and his wife Manishal Panchal are successful hotel owners who have managed and grown their family-owned business for more than 15 years. The two were born in India and immigrated to the U.S. in 1996 after graduating from college. Mr. Panchal started his career in hotel management at the Bali Hai Motel in Yakima, Washington. He left the Bali Hai to purchase his own hotels, including the El Corral Motel in Toppenish, Washington, which is still run by his father-in-law, and the Quality Inn in Yakima, Washington, which the couple sold in 2013.

To learn more, call a Commercial Banker at: (800) 448-1467



Commercial Banking Group

### THE NEED

After the sale of their Quality Inn hotel, the Panchals recognized an opportunity to acquire two hotel properties in Central California. They needed additional financing to complete the purchase of the properties and provide supplementary capital for ongoing operational support.

### THE CHALLENGES

- **Two Concurrent Deals.** The Panchals needed financing for two separate but concurrent acquisitions in Morrow Bay: the purchase of a 30-room independent boutique hotel and a 33-room Travelodge-branded hotel.
- **Timing Was Essential.** The Panchals were being challenged by time constraints and a situation in which the buying and selling of their business properties were overlapping. Proceeds from the sale of their Washington property had generated funds for the purchase of the new hotels in California. Still, they needed significant financing to help supplement the difference and meet their financing obligation to close the purchase. They also needed access to future working capital for operations.
- **Limited Equity and Pro Forma Financial Statements.** With the purchase of the hotels, the Panchals would have limited equity in the property. In addition, due to the change in ownership and management, the underwriting for the loan request had to be considered based on pro forma financial statements.
- **Historical Instability in the Market.** One of the two hotels the borrowers were seeking to purchase in Morrow Bay had only recently been branded as a Travelodge. Prior to that, it had operated independently and had historically underperformed compared to its peers in the market.

In addition, credit availability from traditional lending sources for the hospitality industry has been limited over the past several years, due to the impact of the economic downturn.

### WHY TECH CU?

- **Personalized Service.** Tech CU's commercial banking team took the time to get to know the Panchals and their knowledge of the hospitality business, as well as their experience and success operating multiple properties.
- **A Local, Flexible Lender.** Tech CU was able to offer faster service and greater flexibility due to local decision-making.
- **Expertise and Guidance.** Tech CU worked closely with the Panchals, guiding them through the details of the SBA process and identifying what loan program would be the most suitable.

### BENEFITS TO THE BORROWER

- **Loan Terms that Match the Borrower's Needs.** Tech CU provided the Panchals a total of \$4.759 million in financing through an SBA 7a guaranteed loan for the purchase of both hotel properties (75 percent of the purchase price on hotel #1 and 80 percent on hotel #2). The Panchals will repay the loan in 5 years.
- **Quick Turnaround.** Tech CU was able to secure financing for the Panchals within their limited timeframe, making it possible to seize on the opportunity of closing both hotels.
- **Addressing the Needs of the Business.** With the support of the SBA, Tech CU provided loans that met the borrowers' need to finance the acquisitions of the two hotels, while providing additional working capital to support operations.

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