SBA Working Capital CAPLine Loan

Definition: This line of credit product is intended to be used to finance the short-term revolving working capital needs of small business. We are experienced with SBA CAPLines and both TBoNM and TBoH hold SBA's highest status for this product which allows for the quickest available turnaround and in-house loan approvals.

Size of Loan: Up to $5,000,000 ; larger needs may be accommodated if an SBA loan is combined with other conventional bank financing in a shared pro-rata lien position. In any case the SBA guaranty portion cannot exceed $3,750,000. Appropriate line amounts should be set using similar calculations to those used to on our conventional lines.

Purposes: Finance short-term working capital needs. Line cannot be used for a non-working capital purpose (i.e. equipment) or to pay delinquent taxes. In certain cases, refinance of existing non-SBA line debt may be allowed under this program (if a bank's own debt, must be approved directly by SBA).

Eligibility: These loans are targeted to for-profit businesses only. In order to qualify for a SBA Working Capital CAPLine loan, a business must be considered "small" by SBA's definition. Currently, that definition is:

- Tangible net worth <=$15,000,000 AND avg. net income after tax of <=$5,000,000 OR
- NAICS-based size standard if it results in a higher number (i.e. <500 employees)

While most businesses are eligible, a small number of industries and loan purposes will not qualify.

Guaranty %: Up to 85% guaranty on loans <=$150,000 or 75% on loans from $150,001 - $5,000,000

Interest Rates: SBA Working Capital CAPLines will carry a variable interest rate. Variable rate loans will use Wall Street Journal Prime as their base rate and will adjust no more frequently than monthly. The spread over Prime is set by the originating market using available pricing models. Competitive interest rates will be provided, however, maximums are P+4.75% if loan is <=$25,000, P+3.75% if loan is between $25,000 and up to $50,000, and P+2.75% if loan is > = $50,000. Rate floors are currently not allowed on Working Capital CAPLines.

Maturity: Working Capital CAPLines may be approved by SBA for up to 10 years (may be set up with annually renewing notes by bank).

Collateral: The loan will be secured by a minimum of a 1st lien position on current assets + personal guaranties of principals owning > = 20% of the operating company. Guaranties of related businesses, Lessor's Agreement, etc. may also be required. A reasonable amount of life insurance is also required on key individuals. Additional collateral may be required (if line is not advanced under a formula – see Other below) if discounted collateral coverage is < 100%.

Prepayment: Prepayments on SBA Working Capital CAPLines are allowed without penalty.

Fees: SBA charges fees on the guaranteed portion equal to 2% of the loan is < = $150,000 ; 3% on loans > $150,000 but < = $700,000; and 3.5% on loans > $700,000. An additional .5% fee is charged on guaranteed portions above $1,000,000. An ongoing servicing fee of .55% of the outstanding guaranteed balance is additionally charged to the Bank. The Bank may also charge for out-of-pocket costs in addition to a Package Preparation Fee.

Other: All Working Capital CAPLines provided by TBoH or TBoNM should be advanced under on a borrowing formula. Borrowing base certificates, a A/R aging, a A/P aging, and an inventory listing (if applicable) must be collected at least monthly with advances limited to no more than 80% of eligible A/R plus no more than 50% of eligible inventory. Ineligible A/R include those >90 days old + intercompany A/R + foreign A/R not backed by standby letters. Ineligible inventory includes WIP (unless pre-approved by SBA) and any obsolete inventory (if identified). A fixed asset reliance (based on NBV or appraised value) may also be incorporated into the formula if necessary. Line advances should not be granted in exceed of the latest in-file report. If line is not advanced under a formula, discounted collateral coverage must be >=100%. Covenants must minimally be included for minimum current ratio or maximum debt to tangible net worth. Personal financial statements and tax returns are typically required to be submitted to the Bank at least annually. Quarterly business financials (direct statements if line is <$1mm; compiled or reviewed if line is >=$1mm) and tax returns are also required. A deposit relationship with our bank is also required. Other requirements and conditions may apply.

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