



DIRECT LOAN CREDIT POLICY

Effective December 17, 2024

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1. Introduction

B:Side Capital & B:Side Fund are mission based, non-profit lending organizations that provide responsible capital to small businesses who are unable to obtain bank financing. The fund will focus on providing capital to early-stage, pre-bankable, and traditionally under-resourced and/or under-served demographics. Direct loans will be provided by both organizations depending on the funding source.

2. Mission Statement

To promote economic development and foster economic growth of diverse small businesses.

3. Scope of Services

To provide responsible capital to small businesses who are unable to obtain bank financing.

4. General Eligibility

Applicants must:

- Be generating revenue;
- Demonstrate other forms of repayment as a contingency;
- Be unable to obtain bank financing;
- Be in operation for 6+ months;
- Be based within the United States;
- Be 51% owned by U.S. citizen(s) or Legal Permanent Resident(s);
- Provide at least 10% of the total loan amount, may be waived for debt refinance and/or working capital so long as the borrower has demonstrated sufficient owner investment;
- Ability to produce operational and financial management documentation;
- Provide at least one year of projections to demonstrate impact of the loan, may be waived for working capital loans for existing businesses;
- Have guarantors with a personal credit score of at least 630; may be waived for special purpose loan programs;
- Be current on all existing business and personal accounts;
- Pledge furniture, fixtures and equipment that are financed with the loan, may be waived for small working capital loans;
- Pledge all business assets, may be waived for small working capital loans.

5. Ineligible Businesses

Ineligible businesses include those that are set up as, engaged in or have personal guarantors who:

- Non-profit entities;
- Speculative activities;
- Lending, investments or loan packaging;
- Exclusive membership;
- Political or lobbying activities;
- Indoctrinating religion or religious beliefs;
- Illegal activities in the jurisdiction where the business is located;
- Gambling activities;
- Anything involving prurient sexual nature;
- Are currently incarcerated, on parole, on probation, or, is a defendant in a criminal proceeding; or

- Is more than 60 days delinquent under the terms of any administrative order, court order, or repayment agreement that requires payment of child support.

6. Eligible Use of Proceeds

Loan proceeds may be used for:

- Working capital;
- Purchase of furniture, fixture and equipment;
- Inventory;
- Business acquisition and;
- Debt refinance.

7. Ineligible Use of Proceeds

Loan proceeds may not be used for/to:

- Tenant or leasehold improvements that require a certificate of occupancy;
- Construction;
- Vehicles;
- Refinance existing debt where B:Side would take over a loss;
- Refinance merchant cash advances;
- Repay delinquent state or federal taxes;
- Investing in interest bearing accounts;
- Provide equity contribution for another loan; (except for 504 equity assistance loans);
- A partial change of business ownership;
- An illegal activity; or
- A non-sound business purpose.

8. Loan Amount

Loans have a minimum loan amount of \$10,000 and a maximum loan amount of \$350,000. Borrowers are permitted to apply for multiple loans, so long as it is limited to \$150,000 of direct exposure to B:Side.

9. Maturity Terms

Term loan maturities vary from two years to ten years. The term is determined at the discretion of the lender based on the use of loan proceeds, loan amount and interest rate.

10. Interest Rates and Fees

Interest rates will be no higher than Wall Street Journal Prime + 4.50%. Interest rates will be fixed or variable for the life of the loan.

11. Loan Fees

Origination fees will be no higher than 7.50%. Additional pass through fees include any other direct cost associated with the loan. The days' interest calculation is also included into project costs for loans that do not close on the first of the month.

12. Prepayment Penalties

The loan may be prepaid in part or full at any time without penalty.

13. Personal / Corporate Guarantees

Unlimited personal guarantees are required from every person or entity owning 20% or more of the applicant. A personal guarantor is required on every loan, even if no one individually owns more than 20%. In the event a credit is declined, credit may be reconsidered with the addition of guarantors. At the discretion of the lender, exceptions may be made for non-profit borrowers who do not have any owners. In these cases, the following non-applicable items will be omitted in the underwriting process and the loan file: personal guarantee, personal inquiry form, and personal tax returns.

14. Collateral and Security Standards

Loans above \$25,000 will be secured with a UCC lien on business assets. Personal assets may be considered based on the nature of the project. The value of the collateral will be considered at liquidation value, based on a discount rate of 50% for unimproved land, 50% for equipment, and 75% for improved land. Taking livestock as collateral is prohibited.

15. Insurance Requirements

Exceptions can be made depending on the business asset value and type:

- **Business Personal Property Hazard:** B:Side will not require business personal property hazard insurance for loans \$500,000 or less for projects that do not have real estate pledged as collateral.
- **Flood:** A flood certificate will be pulled for the borrower's business property address to determine if pledged business assets are located in a flood zone. If the location is not in a flood zone, no further action is needed. If the property is in a flood zone, then the borrower will need to provide evidence of flood insurance. If the commercial real estate property is rented and not owned, evidence of the landlord's flood insurance covering tenant business assets will be required.
- **Life Insurance:** Life insurance will not be required on loans \$100,000 or less unless the business has experienced sales or revenue disruptions due to the owner's inability to perform duties, with no clear or demonstrated backup operator. If a key management team and a robust succession plan are in place, the requirement for life insurance may be waived.
- **Residential Insurance:** For loans where personally held residential real estate is pledged, an insurance endorsement naming B:Side as the mortgagee for the property is required.

16. Lease Agreements

If the location is essential to the business operation, a lease agreement will be required for the life of the loan, including options to renew.

17. Prior Bankruptcies

Full disclosure of prior bankruptcies is required.

18. Prior Criminal Offenses / Arrests

A prior criminal arrest or conviction will not necessarily disqualify an individual from receiving financing. However, full disclosure is required.

19. Litigation

If a borrower is involved in or anticipates being involved in any lawsuits, the potential risk to the business and its ability to continue to generate sufficient cash flow to repay debt service must be analyzed.

20. Conflicts of Interest

Conflicts of interest or appearances thereof are strictly prohibited.

21. Portfolio Concentrations

Portfolio concentrations and performance will be reviewed on an annual basis and the loan policy will be updated to reflect prudent lending practices and loan process.

22. Borrower Financial Reporting

For existing business borrowers, two years of historical business tax returns, a current year interim financial statement and projections will be collected. For early stage businesses, in operation under 24 months, all available historical business tax returns, a current year interim financial statement and two years of projections will be collected. After the loan has been funded, regardless of business age at the time of application, statements and annual business tax returns will be requested for the life of the loan.

23. Loan Approval Authority / Loan Committee

Loans \$25,000 and below will be reviewed and approved by a director or executive. All loans above \$25,000.00 will be presented to the external loan review committee for approval. Loan approvals are valid for six months. Loan modifications for any decrease or up to 10% increase of the total loan amount must be documented to the file with a loan modification memo, which must be approved by a director or executive. Loan modifications for increases at 10% or above must be re-presented to the external loan review committee for approval. The external loan review committee is designated by the board of directors to approve loans on their behalf.

24. Denial of Applications

Loan applications that do not meet the loan origination standards will be declined and must wait a minimum of 90 days to reapply. Loans that are declined by the loan review committee must wait at least six months before being re-presented to the loan review committee.

25. Exception of Lending Policy

It is expected in the normal course of business that exceptions to this policy will occur. The intent of this credit policy is to define the boundaries of acceptable degrees of risk. Accordingly, deviations from policy are justified only if they result in risk consistent with policy intent. The policy exceptions must be clearly outlined in the loan package with mitigating factors clearly explained.

26. Fair Lending Policy

In keeping with its economic development mission, the lender is committed to the principles of fair and equal opportunity lending. A consistent and high level of assistance and service will be provided to all applicants regardless of race, color, national origin, religion, sex, age (provided the applicant has the capacity to enter into a binding contract), sexual orientation, marital status, disability, receipt of public assistance, or, because the applicant has, in good faith, exercised any right under the Consumer Credit Protection Act. Underwriting standards will be applied fairly and consistently, thereby permitting access to credit for a broad range of customers.

27. Commitment Letter and Letters of Intent

Commitment letters and letters of intent will be valid for 30 days, which must be signified by the borrower's signature.

28. Government and Special Program Eligibility

All loans that are funded under government and/or special programs in which B:Side participates, must meet B:Side's eligibility requirements listed within this loan policy. In addition, it must also meet the eligibility requirements of the

government and/or special program from which it is receiving funds. This additional eligibility review will be completed through the use of program-specific eligibility checklists that will accompany the underwriting which is approved by the external loan review committee.