

SMRF REVOLVING LOAN FUND LENDING CRITERIA



The following criteria are used as benchmarks in evaluating potential loans.

1. **BANK:** Currently there is not a government program that will fund 100% of a loan request. Normally a bank will fund the loan and an entity such as SBA will guarantee the loan. It is the borrower's responsibility to secure the financing to be provided by the bank.
2. **EQUITY** – Ideally the owner of the business should have a minimum of 25% equity in the business. This means that when the “new” debt is added to the balance sheet, the total debt should not be more than 3 times that of the equity. In the case of a start-up business, the borrower would provide 25% of the total amount needed to start the business.
3. **COLLATERAL** – There must be sufficient collateral for the amount of the loan requested. As a rule of thumb the amount one could expect to borrow against the company's assets are as follows:
 - Receivables – 40%
 - Inventory – 50%
 - Machinery and Equipment – 70%
 - Building and Land – 80%
4. **REPAYMENT ABILITY** – The ability to repay the loan may be demonstrated through historical profit and loss statements and/or projections. Projections should be backed by evidence that sales or potential sales do exist. This could be contracts, letter of intent, or a market analysis.
5. **PERSONAL STRENGTH** –
 - A. Consideration is given to the size of the loan request and personal financial strength of the borrower.
 - B. Consideration is given to the type of business the borrower is: operations, buying, or starting and the borrower's education and work experience.

SMRF RLF program administered by Caprock Business Finance Corporation in conjunction with the South Plains Association of Governments.



TEXAS DEPARTMENT OF AGRICULTURE
COMMISSIONER SID MILLER

SMRF REVOLVING LOAN FUND APPLICATION NEEDS LIST



The following items must be submitted in their entirety in order for your application to be presented to the SMRF Loan Committee. Please take special notice for applicants to sign and date all financial information. Please keep in mind this list is for origination and credit underwriting purposes only and does not include items we may need to close and fund the loan.

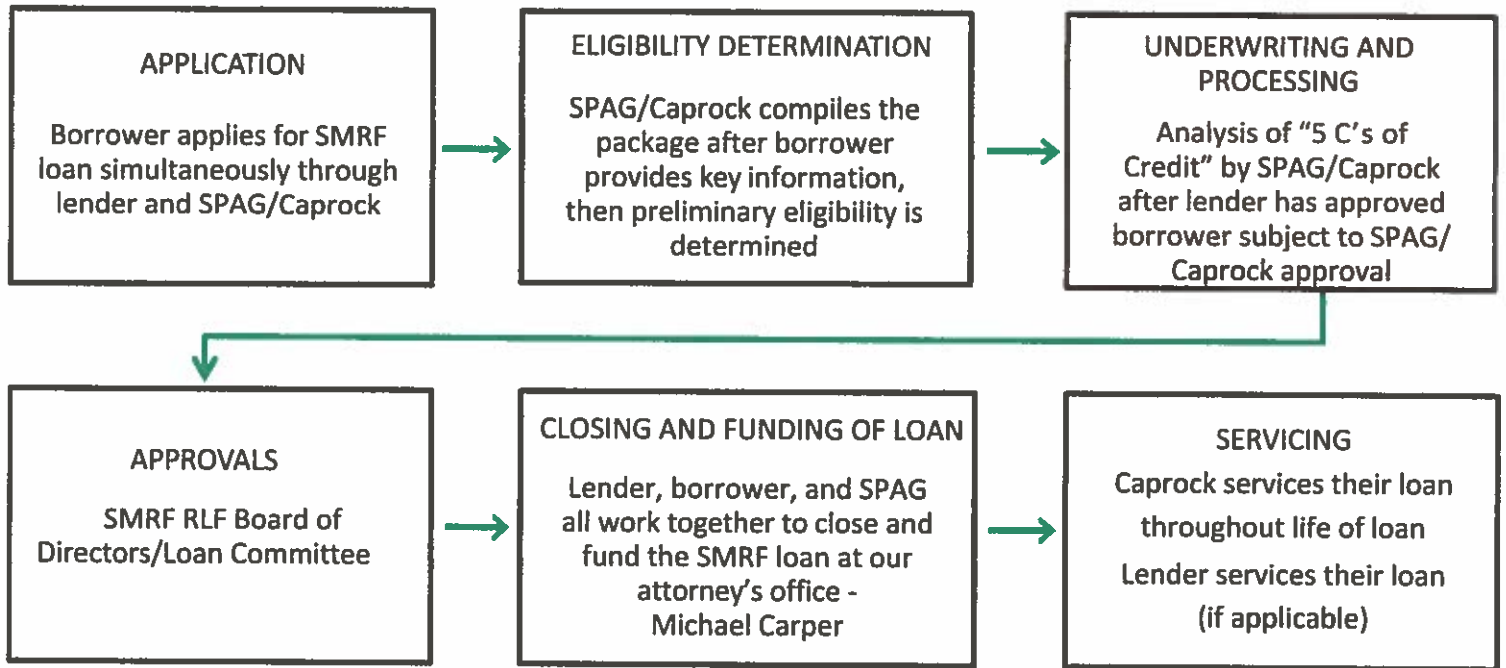
- Personal Financial Statement (no older than 90 days). For all persons owning 20% or more of the real estate holding company and/or the operating company. **Please sign and date by both spouses.**
- Personal Federal Income Tax Returns for the past 2 years for each individual providing personal financial statement. **Please sign and date.**
- Current business financial statement (no older than 90 days). Include balance sheet and profit & loss statement for both operating and real estate holding company. If applicable, include aging of accounts receivable and payable as of the same date as the current financial statement. **Please sign and date.**
- Federal Income Tax Returns from previous 2 year and/or accompanying balance sheet and profit and loss for the operating company and real estate holding company. **Please sign and date.**
- For a new business, or if necessary, two years projected annualized Profit & Loss Statement, including detailed assumptions of how the projections were determined. **Please sign and date.**
- For a new business, a month-by-month cash flow for next 12 months corresponding with above projections. Required for new businesses only. **Please sign and date.**
- Schedule of business debts for the real estate holding company and the operating company.
- Detailed information on any previous government financing: note date, original loan amount, loan number, status of loan, and balance of loan.
- Project Cost Documentation. Real Estate Purchase agreement, settlement statement, list of equipment, inventory, furniture or fixtures to be purchased, etc...
- Executed bank commitment letter. A template will be supplied for use on lender's letterhead.
- All current entity operating documents from real estate holding company and operating company. Where applicable: Articles of Incorporation with all amendments and By-laws, or Articles of Organization with all amendments, Operating Agreement, Partnership Agreement, Trustee Certifications, and or assumed name certificate.
- Detailed description and history of business. For new business, include a copy of the business plan.
- Appraisal (if applicable) Environmental (if applicable)
- Number of jobs created _____ retained _____

SMRF RLF program administered by Caprock Business Finance Corporation in conjunction with the South Plains Association of Governments.



TEXAS DEPARTMENT OF AGRICULTURE
COMMISSIONER SID MILLER

STAGES OF A SMRF LOAN



South Plains Association of Governments

Cecily A. Miller
Director of Economic Development
806 762 8721 ♦ 806.765 9544 (Fax)

1323 58th Street
P.O. Box 3730 Freedom Station
Lubbock, TX 79452-3730

Email: cmiller@spag.org

SMRF RLF program administered by Caprock Business Finance Corporation in conjunction with the South Plains Association of Governments.



TEXAS DEPARTMENT OF AGRICULTURE
COMMISSIONER SID MILLER