

<u>Determinant</u>	<u>Requirement for CornerSquare loan participation</u>
Loan Amounts	Minimum participation \$18,750 Maximum participation \$250,000
Participation Percent	25% max
Participation Structure	Subordinated
Terms	No more than 7 years, but tied to collateral (If loan term is > 7 years, CDFI to buy back the balance of CornerSquare's participation on the 7 th anniversary)
Pricing	Left to CDFI
Fees	Left to CDFI
Late Fees	Left to CDFI, but pro rata portion of all payments (including late fees) will be shared)
Small Business Definition	Five hundred or fewer employees
Excluded Industries	Businesses that engage in speculative activities, pyramid sales, activities prohibited by federal or local law, gambling enterprises, or earn more than half their annual net revenue from lending. Additional guidelines in Master Loan Participation Agreement (MLPA)
Demographic Requirements	At least 50% owned, controlled or operated by U.S. residents who are: a) African American, Hispanic American, Asian Pacific American, Native American, or Asian Indian American b) Women c) Low-to-Moderate Income, or d) Have their principal place of business located in a Low-to-Moderate Income census tract
Credit Score Requirements	Minimum FICO Score of 635, must be current on all bills and on payment plans for any old collections; Calculated as the average of all credit scores
Debt Service Coverage Calculation Method	CDFI uses its own method; Prefer analysis based on global cash flow and historic performance
Cash Flow Coverage Required	CDFI uses its own method. 1.10:1 minimum coverage if >100% collateral and based on actuals; If projections are used and/or the loan has <100% collateral then 1.20:1 required
Key Ratios used	DTI of 45% is recommended; Current Ratio 1:1

Collateral Calculations	CDFI uses its own method to set
Collateral Requirements	Recommend that a minimum 50% of the loan must be covered with balance sheet collateral value; If 100% will require 1.1:1 debt service coverage ratio; If <100% will require 1.2:1 debt service coverage ratio
Use of proceeds	<p>Eligible:</p> <ul style="list-style-type: none"> ▪ Purchase, construction, renovation or tenant improvements of an eligible place of business (at least 51% owner occupied) ▪ Start-up costs, working capital, equipment, inventory <p>Ineligible: passive investments, reimbursing funds to any owner of the business, repaying delinquent taxes. Additional guidelines in the MLPA</p>
Special Circumstances	<p>Loan refinancing (by the same lender) is permitted when:</p> <ul style="list-style-type: none"> ▪ The note is maturing ▪ Lender undertakes new underwriting ▪ Additional funds are being advanced for a business purpose ▪ Refinancing is not permitted for an impaired loan
Guarantees	Personal guarantees obtained from owners with > 20% equity interest
Other	Other guidelines in MLPA

Updated 3/31/2021