

CAPLines Authorization Summary of Changes

In addition to making changes required by SOP 50 10 updates and changes to the common provisions in the 7a Authorization, the following CAPLines-specific changes were made to the boilerplate:

GENERAL LOAN INFORMATION:

Reduced 5 subprograms to 4:

- Working Capital CAPLines (formerly Standard Asset Based CAPLines)
- Contract CAPLines
- Seasonal CAPLines
- Builder's CAPLines

(Eliminated Small Asset Based CAPLines)

D. REQUIRED FORMS:

- On all CAPLines lender has the option of using its own note and guaranty agreements rather than SBA Forms 147, 148 and 148L, as long as SOP 50 10 requirements are met, including mandatory SBA language.
- SBA Form 1050 (Settlement Sheet) only required for initial disbursement.

E. CONTINGENCIES:

- Final Disbursement for Working Capital program must give borrower time to make final payment by loan maturity.

F. NOTE TERMS:

- Increased maximum loan amount to \$5,000,000.
- Maximum maturity increased to 10 years for all programs except Builder's CAPLine, which is limited by regulation to 5 years.
- Non-revolving loan option eliminated.
- For working capital loans, requires that extensions be completed prior to maturity.
- Requirements for post-approval interest rate changes detailed.

PAYMENT TERMS:

- Contract program: 3 payment options detailed when Assignment of Proceeds taken, and 2 payment options detailed when no Assignment of Proceeds taken.
- Seasonal: Clarification regarding application of payments and requirement that all principal and interest must be paid by end of season.
- Working Capital: Low and High Funds Control provision removed. Application of payments clarified.
- Extraordinary Servicing Fee: Provision clarified and lack of SBA guarantee on such fees noted.

G. USE OF PROCEEDS AND CONDITIONS FOR DISBURSEMENT:

- Contract CAPLines: proceeds can be used to finance all contract, subcontract and purchase order costs (excluding profit); various options include whether some or all costs are financed and whether the loan will finance a single contract or multiple contracts; if not all costs financed, lender must establish percentage of payment to apply to loan and that percentage may be increased for retainage; requires justification if assignment not taken;
- Seasonal: Option added for requirement of Borrowing Base Certificate;
- Builder's: Added language reflecting SOP requirement for supervisory employee on job site; and multiple buildings additional pre-disbursement requirements added such as licensed architect plans and specs and line by line costs and monthly project projections;
- Working Capital CAPLines: Refinance provision added; provisions added regarding advances when annual review coincides with maturity whether Borrowing Base Certificate (BBC) required or not; pre-disbursement certification added that all proceeds for cash sales and receivable collections will be remitted to lender;
 - Lender has option of closing and disbursing based on a BBC or not.
 - If a BBC is not used, lender must follow stated underwriting, collateral and cash flow analysis standards and minimum monitoring requirements, including site visits. There must be a 1:1 collateral ratio.
 - If a BBC is used, lender must comply with revised requirements including the timing of the BBC (monthly not with each disbursement), pre-disbursement and annual field exams (rather than
 - semi-annually), and eligible/ineligible receivables (including concentrations, which may exceed
 - 20% with written justification in the file if certain types of accounts, otherwise requires SBA consent).
 - The level of funds control, regardless of whether a BBC is used or not, will depend on the banking relationship the lender has with the borrower.
- For all Programs: Describes documentation of second and subsequent disbursements; adds provision regarding action if withholding taxes are delinquent.

H. COLLATERAL CONDITIONS

- Contract CAPLines: allows for exception to assignment of contract(s) and proceeds of contract(s) financed by the loan under certain conditions (in accordance with SOP 50 10). Adds an option for Additional Worthwhile Collateral when no assignment is taken
- Working Capital CAPLines: if the lender will disburse based on a borrowing base certificate (BBC), the lender must obtain a first lien position on the trading assets (A/R, INV, etc.), and if not disbursing based on a BBC, the lender must have a first lien position on the trading assets and ensure 1:1 collateral coverage (which may include the assignment of other business assets as well as personal assets)
- No change to Seasonal or Builder's CAPLines.

SIGNATURE BLOCK

Added option of delegated processing for PLP lenders