



CREDIT POLICY

For

BSB Leasing Inc

January 3, 2012

Credit Underwriting Guidelines and Minimum Standards
For BSB Leasing, Inc.
Effective January 3, 2012

BSB Leasing, Inc. underwrites Application Only transactions between \$5,000 and \$75,000 using a combination of scoring and business rules to determine an applicant's eligibility for approval and assigns appropriate pricing. The automatic scoring process is known as QuickScore. QuickScore provides guidance as to qualified candidates but is not to be used as an indicator of a business, guarantor or vendor's validity or the reasonableness of a transaction. Using QuickScore requires that standard underwriting practices, good common sense business practices and full disclosure are used to make final decisions as to the quality of a lease application.

Credit Approvals are valid for 60 days from the original approval date. An extension may be granted when updated credit information is submitted for review.

Personal Guarantees

The personal guaranty of any individual with 25% or greater ownership interest is required. In situations where there are more than two (2) guarantors, we will evaluate the guarantors as follows. :

- **Equal Ownership of guarantors:** The "best" two will be scored. If ANY of the guarantors fall below our minimum standards, a manual review and approval by a Credit Manager will be required.
- **Unequal ownership of guarantors:** The two guarantors totaling the highest % of ownership will be scored. If ANY of the guarantors fall below our minimum standards, a manual review and approval by a Credit Manager will be required.
- **Married guarantors:** In the case where we have a husband and wife with the same credit, any exceptions will be counted only once for common accounts and characteristics. Separate exceptions will be noted on separate accounts and characteristics.

Minimum Credit Bureau Characteristics

Delinquency Scores:

BSB Leasing utilizes a Risk Adjusted Credit Scoring Model allowing us to approve a wider variety of credit profiles. For Tier 1A and Tier 1B credits a “Beacon” or “FICO” score of 680 or greater of at least one individual with no additional individual scores less than 650 is required. For Tier 2 and Tier 3 a “Beacon” or FICO” score of 650 or greater is required.

Time in credit bureau file:

5 years minimum

Reporting Lines:

Each guarantor should have a minimum of 5 active lines

% Revolving Availability:

35% excluding HELOC

Revolving balances should not exceed \$50,000 excluding HELOC

Home Ownership:

As of January 3, 2012 Home Ownership is desired but not required.

PayNet:

BSB Leasing uses PayNet, when available, to help determine the quality of a transaction. For transactions over \$25,000, if no PayNet is available we will require a minimum of one Comparable Term Borrowing trade reference of 80% of the lease amount requested with a minimum 12 month pay history.

Prior Bankruptcy:

BSB Leasing will review an application for a company or guarantor with a prior bankruptcy if the bankruptcy is at least 7 years old and credit has been re-established with no slow pays or derogatory credit reporting since the bankruptcy.

Equifax Commercial Credit Report

Equifax Commercial Credit Report – A Public Records search is performed for all transactions. This search via Equifax ePort will list public records including bankruptcies, judgments and liens as well as Secretary of State Listings. If any open liens or judgments are found, review for final approval is required.

Time in Business & Business Ownership:

Two (2) years minimum time in business is required up to \$75,000 Application Only. Over \$75,000 will require the most recent year end Corp tax return and a current interim financial statement

Business must be a full time endeavor; “hobby” businesses are not acceptable. Confirmation of Time in Business **under current ownership** is required at funding and can be provided by many methods that clearly establish the starting date or age of the business. (D&B is not typically acceptable)

Acceptable Forms of Documentation for proof of TIB:

Sole Prop Filed Business License
 Copy of 1040 Schedule C
C-Corp Copy of 2nd Page of tax form 1120
S-Corp Copy of K-1's
LLC Copy of K-1's
Partnership Copy of K-1's
Combination of a bank rating and at least one reputable finance company rating
PayNet (reported SOS data, Years in Business or Oldest Contract date)
D&B (SOS data, UCC filings in the same company name)
Experian Business Report
SOS

Proof of Business Ownership:

Sole Prop - Filed Business License
 Copy of **Most Recent** 1040 Schedule C
C-Corp Copy of **Most Recent** 2nd Page of tax form 1120
S-Corp Copy of **Most Recent** K-1's
LLC Copy of **Most Recent** K-1's
Partnership Copy of **Most Recent** K-1's
**Signed Credit Application supported by information reported by PayNet, D&B and/or SOS provided there is no other information that leads you to believe there is other ownership.

Proof of Time in Ownership: (required only in cases where the information may suggest a change in ownership)

Copies of the following for the appropriate year to satisfy the TIB requirement:

Sole Prop - Filed Business License
 Copy of **Most Recent** 1040 Schedule C

C-Corp	Copy of Most Recent 2 nd Page of tax form 1120
S-Corp	Copy of Most Recent K-1's
LLC	Copy of Most Recent K-1's
Partnership	Copy of Most Recent K-1's

Geographic & Regional:

Louisiana:	Restricted
Arizona:	Spouses Guaranty is required
Florida:	Transactions in Florida are acceptable but require a higher level of credit quality and depth.
Texas:	Landlord Waiver is required on all transactions Copy of Articles of Incorporation are required on all submissions.

Expansions:

All requests for expansions require full financial disclosure and five (5) years Time in Business of existing location under same dba name and under the same ownership. Exceptions may be made and will be considered on a case by case basis. No restaurant expansions will be considered.

Minimum Transaction Size:

Transactions should equal or exceed \$5,000.

Bank Statements:

All applications must be submitted with at least three (3) prior consecutive months of bank statements. Statements should report an acceptable depository history for the nature of business and a desired minimum average balance of \$10,000. Requests under \$25,000 are to have a minimum average balance of a High Four (H4). Average balances of less than the desired minimum will be considered on a case by case basis and may require additional information to support the request.

Industry:

Generally, the applicant's business should be in an established industry with a proven track record.

Restricted Industries:

- Adult entertainment
- Gaming/gambling
- Internet service providers
- Limo Services
- Logging
- Mining
- Mortgage Companies/Brokers

Movie production (not to be confused with Video Production which is acceptable)
Oil and gas exploration
Printing
Real Estate Companies & Brokers
Rental, Musical Instruments
Tanning
Trucking - Independent owner/operator
Trucking – Long Distance
Vending-food/beverage & route sales
Video rental/sales

Industries requiring a minimum of five (5) years time in business:

Chiropractors
Garment manufacturing
Hair care/Beauty Salons
Health/Fitness Clubs
Laundry/Garment services
Not-for-profit organizations
Research & Development
Rental, Durable Medical
Spas – Retail
Software development
Transportation/ Local Trucking & Hauling

Local Trucking (Acceptable):

- Individual owners who haul their own goods, i.e. Sole-proprietor pellet company that is acquiring a truck to transport its product to the market (proof required – copies of contracts should be provided with each submission to satisfy this requirement). Requires five (5) years time in business.
- Trucking companies that haul products in a local market (proof required – copies of contracts should be provided with each submission to satisfy this requirement). Requires five (5) years time in business.

Sale Leaseback Requests:

Sale Leaseback submissions may be considered for equipment purchased within 90 days of the approval / review date. Financial statements are required for all requests.

Private Party Sale and Refinance of any kind:

Financial statements are required for all requests. In addition to financial statements, requests to refinance will require a complete write-up detailing the reason for the refinance, payment history from existing lender, copy of the original equipment invoice, current photos of equipment and a current condition report. Independent appraisals may be required for both PPS and Refi's.

Equipment:

The equipment should be essential and relevant to the business. Please provide a summary narrative with your submission that includes details on the equipment, its use and justification for the acquisition.

If software and/or soft-costs exceed 25%, term is not to exceed 36 months without prior approval.

Equipment Limitations:

Limitation

Alarm/monitoring systems	36-month term and \$1 residual
Computer hardware [new]	48-month term and \$1 residual
POS Systems	48-month term
Software Only	36-month term and \$1 residual
Rental Equipment	36-month term and \$1 residual
Fixtures, HVAC	Term not to exceed life of location lease agreement and \$1.00 residual
Used Equipment	48-month term for hard assets 36-month term for all other unless approved in advance by BSB Leasing Inc.

Equipment should not exceed 10 years in age. Any equipment older than 10 years must be approved in advance by BSB Leasing, Inc. Photos, condition report and comparables are required. Appraisals may be required if adequate pricing information is not available.

Restricted Equipment:

- Aircraft
- ATM
- Amusement rides
- Auto Dialers
- Awnings/Canopies
- Cellular/Mobile Phones

Communication Towers
Concrete Forms & Molds
Energy Saving Devices and Fixtures
Gambling Equipment
Hazardous/toxic waste systems
Inflatables
Kiosks
Leasehold Improvements
Logging
Marine
Medical, anesthetic
Medical, invasive
Medical Lasers for non-Medical office
Musical Instruments
Non-portable buildings
Rental, Durable Medical Equipment & Supplies
Scaffolding
Signage
Storage Tanks – Hazardous Waste
Tanning
Watercraft
Underground equipment or tanks
All Specialized equipment

Financial Statement Requirements

Financial statements are required on transactions exceeding the Application Only limits as stated:

Required on all Tier 1 transactions greater than \$75,000
Required on all Tier 2 transactions greater than \$50,000
Required on all Tier 3 transactions greater than \$35,000

Financial statements might also be requested on applications that lack adequate public data for the amount of the transaction, recent borrowing activity of a lessee, or to support a weaker “App Only” transaction.

Financial Statements:

Package should include:

- Most recent year end income statement and balance sheet
- Tax returns if statements are not audited. If most recent year end is more than 6 months prior to submission date, most recent month end interims are also required.

- Optional; Current personal financial statement
- Optional; Most recent year end tax return for all guarantors.

Commission Limits:

See most current BSB Leasing Rate Sheet for commission limits

BSB Leasing, Inc. Application Submission Guidelines

Application information should include complete company information with ownership, bank and trade references, vendor and equipment information. A brief summary narrative should also be included describing the lessee's business and the equipment justification.

A signed and dated (within 30 days of submission) credit application must be included with each submission.

Due diligence should be provided validating key areas:

Nature of business:

BSB Leasing uses NAICS codes to identify industries. It is important to fully understand what the lessee does in order to assign to the correct industry code. You can find the NAICS codes at: www.census.gov/cgi-bin

Time in business:

Verification of stated time in business under current ownership should be provided at time of submission.

Ownership Disclosure:

Personal guarantees are required of any owner or shareholder with 25% or greater ownership. Disclosure of 100% of the ownership is required.

Federal Tax ID:

The Federal Tax Identification number for each business credit applicant must be provided when submitting an application

Bank Statements:

The last three (3) months bank statements are required with minimum average balance of a Low 5 for transactions over \$25,000 and a High 4 for transactions under \$25,000.

Equipment information:

Please provide either an invoice or sales quote on the equipment being acquired at time of submission. If not available at minimum provide a complete and detailed description of the desired equipment along with an equipment justification narrative. Do not assume we know what the equipment is or does. When submitting an application for used equipment please provide the age (year/make/model). Used equipment should not be older than 10 years old to be considered. Older equipment must be approved in advance by BSB Leasing. All used equipment requires photos, condition reports and comps for review.

Vendor Information: Vendor information is not required at time of submittal however complete vendor validation will be required at time of funding.

Split transactions: All split transactions must be identified at time of submission. Please make sure to disclose any transactions you have previously placed as well as other financing the lessee is seeking in addition to the subject request. A transaction is split if you have funded another transaction within the past 90 days or you plan to fund additional transactions within the next 90 days.

Submissions to other Funding Sources: A broker must disclose to BSB if they have submitted a transaction to another funding source prior to submitting it to BSB and the disposition of that submission.

Re-Brokered transactions: BSB does not accept applications that have been originated by one broker and submitted by another unless prior written approval has been granted. If it is determined that an application has been re-brokered without prior consent, any and all approvals for the submitting broker will be cancelled and the broker relationship terminated.