Credit Presentation

Date:	**February 5th, 2019**		
Credit Union:	**Arrow FCU**		
Borrower Information			
Borrower:	Seamless Roofers, LLC		
Address:	220 Saugerties Road, Woodstock, NY 13730		
NAICS:	238160 – Roofing Contractors (Combination of all revenue levels)		
Loan Information			
Loan Amount:	$40,000 (Rev. LOC)	**Rate:**	7.50%
Term:	12 months (Rev. LOC)	**Amortization:**	N/A
Rate Type:	Variable	**Re-prices every:**	12 months
Index:	WSJ Prime	**Margin:**	+2.00%
Floor Rate:	4.00%	**Ceiling Rate:**	Legally permissible
Loan Analysis			
Total Collateral Value:	$107,441	**Collateral Coverage // LTV:**	1.2 // 53.4%
Transactional DSCR:	2.58x	**Global DSCR:**	3.98x
Transactional Margin:	$26,795	**Global Margin:**	$83,552
Transactional Liquidity:	$60,154	**Global Liquidity**	$74,192
Transactional NW:	$143,458	**Global NW:**	$127,994
Risk Rating Score:	3.60	**Risk Rating Grade:**	3 - Average
Collateral Information			
Collateral Type:	Business assets	**Collateral Condition:**	Assumed average
Collateral Location:	Business assets at 220 Saugerties Road, Woodstock, NY 13730		
Lien Type:	UCC-1	**Lien Position:**	1st
Individual Guarantor(s) Information			
Guarantor:	Warren Kirsch		
Address:	200 Saugerties Road, Woodstock, NY 13730		
CBR Score:	622	**Ownership %:**	55.00%
Guarantor DSCR:	7.89x	**Guarantor Cash Margin:**	$28,182
Guarantor:	Ben Wachowski		
Address:	1375 County Road 30, Woodstock, NY 13730		
CBR Score:	772	**Ownership %:**	45.00%
Guarantor DSCR	5.08x	**Guarantor Cash Margin:**	$28,575

Policy	
Underwritten to Board of Directors' Approved Commercial/MBL Loan Policy dated:	9/18/2018

Transaction Summary

Requested Loan(s) Discussion:
Seamless Roofers, LLC, the borrower, has requested a $40,000 revolving line of credit for working capital purposes to be secured by a blanket UCC-1 filing on all business assets. The line of credit will be priced at WSJ Prime +2.00% at the suggested term of 12-months. Interest payments will be made monthly based on the outstanding balance and the line will be required to be paid down to a $0 balance for 30 consecutive days.

The borrower is a limited liability corporation created on 9/15/2015. A search of the New York Secretary of State website reports the entity is active and in good standing as of 2/5/2019. The entity is owned by the two individuals pledging their personal guarantees for the subject loan request; Warren Kirsch (55.00%) and Ben Wachowski (45.00%). Warren Kirsch and Ben Wachowski will provide unlimited full joint and several guarantees of the subject credit facility.

Strengths:
- Borrower cash flow is adequate at this time
- Borrower cash liquidity is $60M as of FYE 2018, an approximate 1.5 to 1 ratio to the requested loan amount
- Loan conditions will require a consecutive 30 day out of debt requirement
- Borrower business has grown each of the last four years
- Subject loan will allow for less expensive working capital cost of doing business (borrower is currently utilizing a credit card)
- Collateral coverage is adequate based on borrower provided values and lending policy discounting

Weaknesses:
- Global cash flow is entirely dependent on the borrowing business and its success or failure
- Collateral values, though they appear supportive, are not validated with regard to physical business assets
- Guarantor Warren Kirsch recently went through debt consolidation and is currently on a personal debt repayment program
- The borrower's industry is of higher risk (contractor)

Decision(s)

Senior Commercial Lender(s)			Loan Committee		
Approved	Declined	Grade	Approved	Declined	Grade

Associated Borrower Analysis (§723.4)

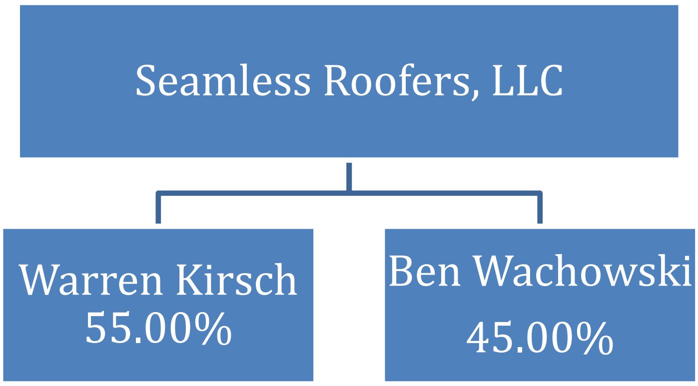
Borrower	Loan #	Loan Amount	Loan Balance	Unfunded Commitments	Participated Portion	Guaranteed Portion	Balance Outstanding	Maturity Date	Risk Rating
Seamless Roofers, LLC	TBD	$40,000		$40,000			**$40,000**	2/2020	3
							$0		
							$0		
Totals		**$40,000**	**$0**	**$40,000**	**$0**	**$0**	**$40,000**		
CU Net Worth 9/30/18:	**14,072,290**	CU net worth derived from latest NCUA reported Financial Performance Report.							
Assoc Borrower % of NW	**0.28%**								

Deposit Relationship

As of this analysis, a deposit relationship between the borrower and Credit Union has not been established. As a condition of loan approval, establishing a deposit relationship is suggested as is borrower repayment of the proposed LOC via auto-debit associated with the deposit account(s).

Per the lender, both individual guarantors have opened up personal banking relationships with the Credit Union. Unfortunately, the status of these accounts was not provided for review.

Ownership Structure



*Please note that the above ownership percentages were based on the most recent information per the credit application filed by the owners, Mr. Kirsch and Mr. Wachowski. Ownership percentages differ based on the 2017 FTRs in file with an equal 50.00% share for both owners. While this discrepancy between the stated ownership values and the 2017 FTRs is not of large concern, it is suggested that ownership percentages be verified with the owners for loan documentation purposes.

Borrower History / Management

The guarantors, Warren Kirsch and Ben Wachowski formed Seamless Roofers, LLC as an official corporation in September 2015. The business was originally started as a partnership in April of 2014. The borrower completes construction projects relating to roofing.

At this time, the borrower's businesses banking relationship is with NRT. It is suggested that the borrower be required to begin a banking relationship with the Credit Union as a condition of loan approval. Both individual guarantors are members of the Credit Union having established deposit accounts in December of 2018.

Purpose of Borrowing

The purpose of the proposed facility is to provide the borrower with a working capital line of credit. This line of credit will allow the borrower greater flexibility to purchase necessary inventory and manage other working capital accounts while pending accounts receivable are outstanding. The improved financial dexterity of the subject loan will allow the borrower to grow its business by taking on a greater amount of larger, more lucrative jobs.

Source:		Use:	
Arrow FCU Revolving LOC	$40,000	Purchase Inventory, Fund Working Capital Needs	$40,000
Total:	**$40,000**	**Total:**	**$40,000**

Financial Analysis

	Statement Dates			
Seamless Roofers, LLC	12/31/15	12/31/16	12/31/17	12/31/18
Ben Wolowitz	12/31/15	12/31/16	12/31/17	12/31/17
Warren Kirsch	12/31/15	12/31/16	12/31/17	12/31/17
Source	FTR	FTR	FTR	FTR
Cash Available for Debt Service				
Seamless Roofers, LLC	25,251	55,493	50,924	43,772
Ben Wolowitz	6,677	27,776	35,751	35,571
Warren Kirsch	13,885	30,411	32,274	32,274
Global	**45,813**	**113,680**	**118,949**	**111,617**
Debt Service Requirements (Note 1)				
Seamless Roofers, LLC	-	16,977	16,977	16,977
Ben Wolowitz	6,996	6,996	6,996	6,996
Warren Kirsch	4,092	4,092	4,092	4,092
Global	**11,088**	**28,065**	**28,065**	**28,065**
Cash Margin				
Seamless Roofers, LLC	25,251	38,516	33,947	26,795
Ben Wolowitz	(319)	20,780	28,755	28,575
Warren Kirsch	9,793	26,319	28,182	28,182
Global	**34,725**	**85,615**	**90,884**	**83,552**
***Debt Service Coverage Ratio**				
Seamless Roofers, LLC		3.27	3.00	2.58
Ben Wolowitz	0.95	3.97	5.11	5.08
Warren Kirsch	3.39	7.43	7.89	7.89
****Global**	**4.13**	**4.05**	**4.24**	**3.98**

<u>Note 1:</u> Business debt service requirements consist of the proposed loan at the perceived maximum draw amount (annualized) and other borrower debts currently existing.

Transactional Debt Service Coverage Ratio (DSCR) measures the number of times the cash available for debt service (CADS) provided by the borrowing operating entity or rental income producing property covers the Debt Service Repayment (DSR) requirements associated with the requested loan.

*****Global Debt Service Coverage Ratio (DSCR) measures the number of times the cash available for debt service (CADS) provided by the borrowing operating entity or rental income producing property, obligated guarantor(s,) and other materially related entities/individuals covers the Debt Service Repayment (DSR) requirements associated with the requested loan and all DSR requirements of the borrowing operating entity or rental income producing property, obligated guarantor(s), and other materially related entities/individuals.***

Seamless Roofers, LLC

Seamless Roofers, LLC Financial Statements and Supporting Documentation

The following information has been provided in support of the following entity's analysis:
- 2015 – 2017 FTRs
- 2018 FYE Company prepared interim financial statements
- A/R, A/P Aging as of January 2019
- Company debts as of FYE 2018

Seamless Roofers, LLC Cash Flow Analysis

The borrower's primary source of operating income is construction related projects with a focus on installation and repair of roofing. Over the periods reviewed, primary income increased consistently and notably from company inception in 2015 to FY 2018. The change in income is attributable to an increase in the number of projects completed year over year, an increase in marketing expenses driving new revenue, and a push towards growing this small business. The borrower does not claim any other or non-operating income.

COGS as % of Gross Income				
Year	**2015**	**2016**	**2017**	**2018**
Total Gross Income	$105,944	$369,924	$477,555	$511,782
Total COGS	$38,474	$149,650	$176,724	$184,510
COGS as % of GI	**36.32%**	**40.45%**	**37.01%**	**36.05%**

Cost of goods sold has remained quite steady year over year ranging from 36% - 40% of gross income in all years reviewed. Also notable when considering this figure is that the borrower should be able to take advantage of economies of scale as it increases its gross income in relation to the COGS figure. It is possible we are seeing this represented in the 2016 to 2018 year over year COGS figures above with the slight decline year over year.

The borrower's operating expenses as seen in the table below reflect a trend of increase year over year. This increase in operating expenses is driven by multiple factors. The primary expenses category increasing these figures is guaranteed payments to partners. From 2015 to 2017, this figure rose steadily each year. As of FY 2018, this figure recoiled some, but not a considerable amount with a difference of only approximately ($6,300) 2017 to 2018. In review of other expense categories, the most notable takeaway is that expense categories related to a growing small business are increasing year over year, which should be considered a positive aspect of the borrowers overall financial picture. Advertising costs have increased from $25,057 in 2016, to $30,334 in 2017 and again to $41,210 in 2018 mirroring the increased gross revenues during the same years. Insurance cost increased at a similar rate year over year as the business has expanded and required greater coverage plans and legal and professional fees (accounting) have also increased as the business has grown to be more complex over the years reviewed.

Operating Exp. As % of Gross Income (Excluding Interest, Dep., & Payments to Partners)				
Year	**2015**	**2016**	**2017**	**2018**
Total GI	$105,944	$369,924	$477,555	$511,782
Total COGS	$38,474	$149,650	$176,724	$184,510
Total GI (Less COGS)	$67,470	$220,274	$300,831	$327,272
Total Op. Exp.	**$42,219**	**$164,781**	**$249,907**	**$283,500**
Guaranteed Payments to Partners (GPP)	$25,149	$84,719	$101,366	$95,042
Total Op. Exp. (Less GPP)	**$17,070**	**$80,062**	**$148,541**	**$188,458**
Op. Exp. As % of GI	**25.30%**	**36.35%**	**49.38%**	**57.58%**

The majority of expense items reported appear to be recurring, though expenses for tool purchases (a line item of $12,343 in 2017) may be capital in nature as tools typically have a longer shelf-life than one year of use. Due to the unknown nature of this tools purchase, the underwriter has not excluded this expense in 2017.

The borrower utilizes working capital accounts in its daily business cycle. Unfortunately, a historical cash flow calculation with reference to the sources and uses of cash generated by these working capital accounts cannot be accurately reconciled at this point because all historical FTRs 2015-2017 have been filed on a cash basis and would need to be filed on an accrual basis to portray borrower UCA cash flow accurately. Given these constraints, cash flow has been generated on a simple EBITDA basis for this loan approval.

A/R and A/P Aging Accounts

While specific sources and uses of cash cannot be accurately determined at this time as referenced above, the borrower provided A/R and A/P aging reports for review. The results can be seen in the table below:

A/R Aging Summary						
A/R Days	**Current**	**1-30 Days**	**31-60 Days**	**61-90 Days**	**91+ Days**	**Total**
Dollar Amount	$1,080	$27,300	$5,739	($1,074)	($6,113)	$26,932
Percentage of Total	4.01%	101.37%	21.31%	-3.99%	-22.70%	100.00%

It appears that the borrower owes approximately $7,000 in customer credits which have been included within the 61+ day categories. It is recommended the specifics of these credits be discussed with the borrower since they could have an immediate impact on borrower liquidity. The majority of the borrower's A/R is concentrated in the 1-30 day range, which is typical for account collections. Of the stated $27,300, approximately $21,000 is from a single job.

An A/P aging report was also provided that detailed one vendor payable in the amount of $675 total that was in the current category with no other A/P noted for any length of time. This would appear to be a reflection of the borrowers' use of the business credit card for most payables at this time.

Overall, transactional CADS generated by the borrower in the periods reviewed is positive with DSCRs measured above 2.50x in all years reviewed, though we do see a trend of decreasing bottom-line CADS year to year. While this trend is not ideal, the overall cash flow margins are favorable and the borrower's cash liquidity mirrors that of the loan request in excess of a 1.50 to 1 ratio as of FY 2018. Based on the pattern of business growth, it appears that the trend of overall positive cash flow is sustainable, with the only known factor materially impacting CADS being a decline in business. Cash flow is satisfactory based on the information reviewed at this time.

Seamless Roofers, LLC DSR Analysis

The proposed loan requires annual DSR totaling $3,000. This figure has been calculated by assuming the maximum draw of $40,000 on the proposed LOC. While it is unlikely that this line will be drawn to the maximum and maintain that limit over any extended period of time, it is important to stress the borrower's cash flow with consideration of that scenario.

Additional debts reported by the borrower are related to a business vehicle with annual debt service of $6,588 and a business credit card with estimated annual payments of $7,389. Aggregate borrower debt service, including the proposed loan, was calculated to be $16,977. Per the notes in file, the credit card debt service amount is expected to decrease over the next 12 months to zero as the borrower utilizes the proposed LOC. At present, this credit card is serving as the borrower's working capital source of funding, which is likely far more expense than the terms of the proposed LOC.

Seamless Roofers, LLC Balance Sheet Summary - 12/31/2018

Liquid Assets	Total Assets	Total Liabilities	Net Worth
$60,154	$165,373	$21,915	$143,458

Liquid assets are comprised of cash held at NLT bank in checking and savings accounts and have not been verified by statements in file. Primary asset composition is cash and accounts receivable accounting for 59.75% of FYE 2018 assets. Other assets are reported to be approximately $62,000 and related to equipment, vehicles, and machinery/tools. Over the years reviewed, assets have increased as the business has grown, which is to be expected. The most notable figures are cash and A/R, since these accounts have steadily risen year over year, providing strength as of FYE 2018.

Liabilities are comprised of the borrower's outstanding credit card debt with a current balance of $20,525 and the remaining balance on the company vehicle to be paid off soon. No statements verifying these amounts were provided. Year over year, liabilities have remained relatively low in relation to cash holdings with no long-term debt.

Overall, the borrower's equity position has a heavy concentration in highly liquid assets and minimal outstanding liabilities. With the main loan condition being a 30-day zero balance requirement for the proposed LOC, it is reasonable to assume that the borrower's overall liability position will not increase markedly in the next 12 months, and company net worth should remain strong.

Warren Kirsch

Warren Kirsch Financial Statements and Supporting Documentation

The following information has been provided in support of the guarantor's analysis:

- 2015 – 2017 FTRs
- CBR dated 12/20/2018
- PFS dated 12/14/2018

Warren Kirsch Cash Flow Analysis

Walter Kirsch's primary reported source of income is guaranteed payments to partners from the borrowing entity. The only other reported source of income is Schedule C income related to janitorial services. This Schedule C income was reported to be $4,884 in 2015, $4,800 in 2016 and $3,012 in 2017.

The guarantor reports no non-guarantying spousal income or other income of any sort on his personal FTR. Taxable income/(loss) reported from Schedule E part II has been adjusted to zero. Actual recurring cash flow received from the borrowing entity is reported below in the form of guaranteed payments to partners. In 2015 this figure was $12,472, in 2016 this figure was $41,986 and in 2017 this figure was reported to be $46,641. Per review of the borrowers FY 2018 P&L, this figure was $49,552.

Over the periods reviewed, primary income has increased as the borrowing business has grown. The guarantor reported no K-1 activity in relation to any other entities besides the borrowing entity.

Personal expenses are comprised of federal income taxes, state income taxes, real estate taxes, personal property/other taxes, and a 20% living expense based on underwritten adjusted gross income (no less than $6,000 or greater than $60,000 in any year). It should be noted that the guarantor reports no mortgage expense, thus it can be assumed that he is renting his living space. No specific rent amount was provided, however this rental figure is theoretically captured within the annual living expense calculation. While this may indeed be the case, it is the underwriter's suggestion that Mr. Kirsch's living expense calculation be increased from 20% to 40%, since he supports his wife and five children. Effectively doubling Mr. Kirsch's living expenses from $10,000 to $20,000 decreases personal cash flow, but still yields positive CADS figures in the most recent year.

Overall, the guarantor's personal cash flow has improved as the borrowing business has grown. While this supports global cash flow, it also adds additional risk because all personal income is generated from the borrowing entity. If the borrower were to fail for whatever reason, the guarantor's only recourse would be seeking other employment opportunities with no guarantee of recurring revenue.

Warren Kirsch DSR Analysis

The guarantor's 12/20/2018 CBR reports credit card payments of $1,044 annually and a Freedom Debt Relief balance of $3,642 requiring payments of $3,048 annually. Aggregate personal debt service was calculated to be $4,092 annually.

Warren Kirsch PFS Summary – 12/14/2018

The guarantor files a joint tax return. Jointly held assets with a spouse who is not a party to this transaction may materially impact capital capacity.

DFTC, Inc. has adjusted the PFS to report closely held business assets net of closely held business liabilities. These closely held business liabilities are reported as contingent liabilities. Additional adjustments may be made to reflect asset and liability values per third party statements and credit bureaus.

Liquid Assets	Total Assets	Total Liabilities	Adjusted Net Worth	Contingent Liabilities
$8,738	$8,738	$3,997	$4,741	$62,000

Liquid assets are comprised of cash and have not been validated. No other assets were detailed. Liabilities are primarily comprised of aggregate credit card debt of $355 and the Freedom Debt Relief consolidation balance of $3,642 (both figures validated by the CBR and notes in file.)

On the PFS provided, the guarantor did not list any values for vehicles or other personal assets owned. It is possible that Mr. Kirsch's adjusted net worth would improve if he filled out his entire PFS. Contingent liabilities are the stated value of the proposed LOC amount plus other approximate borrower debts.

Ben Wachowski

Ben Wachowski Financial Statements and Supporting Documentation

The following information has been provided in support of the following guarantor's analysis:
- 2015 – 2017 FTRs
- CBR dated 12/20/2018
- PFS dated 12/14/2018

Ben Wachowski Cash Flow Analysis

The guarantor's primary and only reported source of income is guaranteed payments to partners from the borrowing entity. The guarantor reports no non-guarantying spousal income or other income of any sort on his personal FTR. Taxable income/(loss) reported from Schedule E part II has been adjusted to zero. Actual recurring cash flow received from the borrowing entity is reported below in the form of guaranteed payments to partners. In 2015 this figure was $12,677, in 2016 this figure was $42,733 and in 2017 this figure was reported to be $54,725. Per review of the borrower's FY 2018 P&L this figure was $45,489.

Over the periods reviewed, primary income has increased as the borrowing business has grown, with a slight variation to this cycle occurring in 2018, for which no reason has been provided, though this decrease in personal income could be related to the 2018 alteration of ownership percentages (though this is not verified.) The guarantor reported no K-1 activity in relation to any other entities above and beyond the borrowing entity in the form of the guaranteed payments to partners.

Personal expenses are comprised of federal income taxes, state income taxes, real estate taxes, personal property/other taxes, and a 20% living expense based on underwritten adjusted gross income (no less than $6,000 or greater than $60,000 in any year). It should be noted that the guarantor reports no mortgage expense, thus it is assumed he is renting his living space. No specific rent amount was provided, however this rental figure is theoretically captured within the annual living expense calculation. While this may indeed be the case, it is the underwriter's suggestion that Mr. Wachowski's living expense calculation be increased from 20% to 40% because he supports his wife and four children. Effectively doubling Mr. Wachowski's living expenses from $11,000 to $22,000 decreases personal cash flow but still yields positive CADS figures overall in the most recent year.

The guarantor's personal cash flow has improved year over year as the borrowing business has grown. While this supports global cash flow, this is also adds additional risk since all personal income is generated from the borrowing entity.

Ben Wachowski DSR Analysis

Mr. Wachowski's CBR reports annual vehicle payments of $2,988 and aggregate credit cards payments of $4,008. In total, annual personal debt service is calculated to be $6,996.

Ben Wachowski PFS Summary – 12/14/2018

The guarantor files a joint tax return. Jointly held assets with a spouse who is not a party to this transaction may materially impact capital capacity.

DFTC, Inc. has adjusted the PFS to report closely held business assets net of closely held business liabilities. These closely held business liabilities are reported as contingent liabilities. Additional adjustments may be made to reflect asset and liability values per third party statements and credit bureaus.

Liquid Assets	Total Assets	Total Liabilities	Adjusted Net Worth	Contingent Liabilities
$5,300	$5,300	$25,505	($20,205)	$62,000 (see notes)

Liquid assets are comprised of cash and have not been validated. No other assets were detailed. Liabilities are primarily comprised of vehicle debt of $9,199 and aggregate credit card debt of $16,306, with both figures validated by the CBR in file.

On the PFS provided, the guarantor did not list any values for vehicles or other personal assets owned. Becuase he has a vehicle loan, he probably also has a vehicle whose value is not included in total assets. As a result, the guarantor's personal net worth is likely slightly greater than the negative figure detailed above, though due to credit card debts in excess of $16,000, personal net worth is probably still a negative figure. Contingent liabilities are simply the stated value of the proposed LOC amount plus other approximate borrower debts.

Guarantor(s) Credit Report Summary

Name	Date	Average Score	30/60/90	Derogatories Noted
Warren Kirsch	12/20/2018	622	See notes	See notes
Ben Wachowski	12/20/2018	722	0/0/0	None noted

Warren Kirsch: Mr. Kirsch had a period from 2016 to late 2018 in which he went through multiple account settlements or charge offs for personal debts. Based on the most recent CBR reviewed, it appears as though at least seven personal accounts reached 90+ day delinquency or charge off, settlement, or collections status. At this time, all personal accounts are current, though Mr. Kirsch is still recovering from a credit perspective from this extended period of financial hardship which was related to medical bills. Post-hardship, Mr. Kirsch carries minimal overall trade account balances less than $500 total aside from any debts that have been consolidated through the payment plan established to rebuild his credit.

These financial issues do not appear to have permeated the borrowing business, but as a majority owner in the borrower, the borrower's credit risk profile is diminished due to its association with Mr. Kirsch, and it is suggested that this risk be reflected appropriately in the proposed loan terms.

Global Summary

Cash Flow	Debt Service	Cash Margin	DSCR
$111,617	$28,065	$83,552	3.98x
Liquid Assets	**Total Assets**	**Liabilities**	**Net Worth**
$74,192	$179,411	$51,417	$127,994

Collateral/LTV

Collateral will consist of a 1st lien on all business assets. For purposes of collateral coverage only A/R, M & E, and inventory will be considered.

Asset Type	Lien Position	Coverage Ratio // LTV
Various Business Assets (See description below)	1st	1.2 // 53.4%
Valuation Methodology	**Concluded Valuation**	**Collateral**
Borrower estimated	$74,907	See description below

Loan Amount	Adjusted Collateral Value	Collateral Coverage Ratio	LTV
$40,000	**$48,882**	**1.2**	**53.4%**

Collateral Assets Summary			
Asset Pledged	**Estimated Value**	**Policy Advance Rate**	**Adjusted Value**
Pending A/R	$45,711	75.00%	$34,283
Inventory	$4,085	50.00%	$2,043
Trim A-Slitter	$3,200	50.00%	$1,600
Saw Tables (3)	$6,877	50.00%	$3,439
Roll-Former Seamless Machine	$8,180	50.00%	$4,090
Various Saws	$2,954	50.00%	$1,477
Various Tools	$3,900	50.00%	$1,950
Total(s)	**$74,907**		**$48,882**

It is noted that the borrower also has two titled vehicles and a trailer with an aggregate value of $40,047, however these were not included since a title would need to be taken on these assets. Furthermore, it appears that one of the vehicles owned has a loan against it based on the debt schedule.

The most important asset classes above in support of the subject loan are accounts receivable and M & E. Collateral coverage is deemed satisfactory with a coverage ratio of 1.2.

Collateral Liquidation Analysis

	In $s	% of Collateral	% of Loan	Basis for Estimate
Current Collateral FMV	**74,907**	100%	187%	**Borrower estimate**
Current Collateral FMV	**-**	#DIV/0!	0%	
Total Current Collateral FMV	**74,907**	100%	187%	
Less Liquidation Costs				
CU owned asset discount	37,454	50%	94%	
CU owned asset discount 2	-	0%	0%	
Broker fees	-	0%	0%	
Legal fees	-	0%	0%	
Insurance expense	-	0%	0%	
Other expense	3,745	5%	9%	
Total liquidation costs	**41,199**	55%	103%	
Estimated sales proceeds	**33,708**	45%	84%	
Less Loan Balance	**40,000**	53%	100%	
Net liquidation proceeds	**(6,292)**	-8%	-16%	

Collateral liquidation analysis above is based on the general assumptions, collateral values, and loan balance(s) available at the time of underwriting. These assumptions, values, and balances will vary throughout the life of the loan. Periodic review of the variables presented is required over the life of the loan to ensure collateral capacity.

Suggested Loan Conditions

☐ Borrower to establish deposit and business banking relationship with lender including automatic debits from business account for line repayment

☐ Consecutive 30-day out of debt requirement

☐ 1st lien on all business assets, namely A/R, Inventory, and M & E

Policy and Regulatory Exceptions

No noted policy or regulatory exceptions noted.

Exit Strategy

Primary Source of Repayment – Cash flow from operations
Secondary Source of Repayment – Cash flow from guarantors/liquidation of guarantor assets
Tertiary Source of Repayment – Liquidation of collateral

Suggested Loan Covenants

Financial Reporting Requirements		
Financial Statement Document	**Submit by:**	**Acceptable Completion Level**
Company Financial Statement	**Annually, w/in 90 days of YE**	**Co. prep**
Company Tax Return	**Annually, w/in 15 days of filing**	**Tax professional prep**
Debt Schedule	**Annually, w/in 15 days of filing FTR**	**Co. prep**
A/R & A/P Agings	**Annually, w/in 15 days of filing FTR**	**Co. prep**
PFS/SREO/Debt Schedule	**Annually, w/in 30 days of tax filing**	**Self-prep**
Individual Tax Returns	**Annually, w/in 30 days of tax filing**	**Self-prep**

Performance Covenants		
Covenant	**Requirement**	**Frequency Measured**
Line of Credit Rest Period	**30 days out of debt**	**Annually**

Risk Rating

Based on the information provided in file and the conditions and conclusion presented within the loan analysis, loan write-up, and related reports, the proposed loan is risk rated as follows subject to adherence to the loan closing conditions set forth in this presentation

Risk Score: 3.60

Risk Categories: 3 – Average

See accompanying credit risk rating matrix.

Certification: The loan analysis presented is based on the due diligence documentation and information, the "Loan Package", provided to DFTC, Inc. by the Lender. While DFTC, Inc. has independently reviewed the Loan Package, DFTC, Inc. has made no other third-party investigations or validations of the Loan Package. DFTC, Inc. makes no representations or warranties of any kind, express or implied, about the authenticity, accuracy, or reliability with respect to the Package that DFTC, Inc. has otherwise relied upon in good faith. DFTC, Inc. has analyzed this information using its professional expertise in preparing what it certifies to be a fair and reliable credit presentation for making the recommendations and risk assignment set forth herein.

This loan analysis has been prepared for use and consideration by management of the Lender, which has and maintains sole and absolute authority for approving or not approving this loan. In no event is DFTC, Inc. or any of its agents liable, or to become liable, for any loss or damage or any other liability associated with this loan or any parties to this loan including, without limitation, indirect or consequential loss or damage, or any loss or damage or liability whatsoever arising from approving or not approving, or funding, documenting, booking, or managing this loan. BWB/ICM