



Cobra Capital  
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## **Cobra Capital – General Underwriting Criteria**

**LESSEE/DEBTOR LOCATION:** national with a strong emphasis on mid-west companies.

**SIZE:** minimum \$50M up to \$1mm within Illinois; \$250M general initial limit outside of the Midwest states; our average deal size is in the \$250M to \$500M range, however, in situations where we have a relationship with the lessee/debtor's bank, we can fund significantly more particularly when we successfully refer any banking services to our portfolio discounting source.

**TYPE OF LEASE/FINANCE AGREEMENTS:** most types – finance and FMV.

**PRICING:** Cobra's running rates (implicit stream rates) range from 7% to 12% based upon credit quality, equipment quality and term.

**CREDIT:** Attached are our Detailed Underwriting Criteria but our primary criteria are as follows:

- a) Management team experience in a relevant industry;
- b) Ability to cash flow all debt service including our lease;
- c) Leverage is a very wide range from 3:1 to 10:1 and is more dependent upon nature of industry, strength of PG's, consistency of cash flow, concentration and quality of customer base;
- d) Essential Assets – meaning the lessee/debtor needs it to run their business and are motivated to continue timely payments in times of tight cash flow or, like now, historically disruptive credit markets;
- e) The shorter the term, the greater our flexibility in approving a lessee.

**TERM:** 12 month to 60 months depending upon quality of credit and equipment.

**FEES:** Negotiated on a case-by-case basis.

## **Cobra Capital – Primary Underwriting Criteria**

**General Information:** All deals that we approve (whether they are smaller vendor program deals or large deals) satisfy the following criteria:

1. Good **credit** of the personal guarantors and/or favorable historical commercial credits;
2. Experienced **management** in a relevant industry;
3. Some demonstrated ability to generate **cash flow / liquidity** to service the Lessee/Debtor's obligations including our Equipment Lease Agreement (ELA)/Equipment Finance Agreement (EFA).
4. **Equipment** has essential use value.
5. Direct **ACH** debit of ELA/EFA payment due on the 1<sup>st</sup> of each month.

These criteria apply regardless of whether the company is a start-up (less than 2 years in business), early stage (2-5 years in business) or mature company (over 5 years in business). We don't compete on rate, we compete on service mostly with respect to non-conforming deals. Non-conforming in the sense that either the equipment has low auction value (but essential to Lessee/Debtor) or it is a start-up or early stage company. We do not like retail business unless the operator of the store is an owner and PG with excellent credit. No restaurants, ATM's, retail video amusement machines.

### **SMALL TICKET CRITERIA (\$50,000 - \$75,000)**

- **More than 5 years in business requires acceptable**
  - Bank and trades
  - Comparable commercial debt
  - Dun and Bradstreet Report
  - Industry trends
  - Personal Guarantor
  - Signed Application
  - \$250 minimum deposit is required.
  - Working capital
- **Less than 5 years in business requires all of the above plus the following acceptable:**
  - Business plan and management resume;
  - For Lessee/Debtor with one year or less in business: maximum 36 month term; plus FMV purchase option for **COBRA** account
  - Tax returns for the last 2 years on guarantors

### **MIDDLE AND LARGE TICKET CRITERIA (\$75,000 and over)**

- **Requires minimum of 2 years acceptable tax returns and financial statements on guarantors and Lessee/Debtor**
- **More than 5 years in business requires same SMALL TICKET CRITERIA information above plus acceptable:**
  - \$250 minimum deposit is required
  - Further **COBRA** due diligence with management;
  - Six figure exposures may require physical due diligence trip;
  - Cash flow projections with contingency plans;
  - Max of 60 months term.
- **Less than 5 years in business requires all of the MIDDLE AND LARGE TICKET CRITERIA above plus the following: Max of 36 month term.**

### **GENERAL CREDIT CRITERIA**

- Transaction size limits: \$50,000 to \$250,000 maximum limit outside of Midwest. \$1,000,000 maximum limit inside Midwest.
- A consistent delinquent credit bureau would be a "Turndown". However, if a customer has a couple of immaterial delinquencies, we will consider
- Current Bankruptcy – Not interested. We will look at a guarantor if an acceptable BK happened more than 5 years ago and the equipment is less than \$50,000
- Relevant management experience in that industry
- NO college kids starting a company without industry experience
- Acceptable documentation, legal and inspection fees based on complexity of the situation
- FMV – we require when the deal is a HIGH CREDIT RISK
- Scoring System – **WE DO NOT** issue approvals through an automated scoring system. We use scoring information as proprietary tools only. We base our approval on credit information, history and background on the Lessee/Debtor
- We are very judgmental – we look at every deal.
- Personal Credit scores – We prefer 650 and over – TransUnion Empirica Score
- Sale/Leaseback or Sale/Financeback – we need cancelled checks (front and back) and blanket lien waivers
- **COBRA** turnaround time is 1 – 2 days from receipt of complete transaction information

## **MANAGEMENT – Start-Ups**

- 10 years minimum management experience. Need resume and logical business plan
- 5 years minimum management experience in a relevant business for companies over 5 years in business
- Generally cap at amounts under \$250,000
- FMV only to **COBRA** with NO equity assigned to residual / no reduction in stream rate
- Interested in growth oriented firms with experienced professionals

## **TRUCK CRITERIA**

- Must be intrastate trucking – (only within any one state)
- Local hauling equipment, dump trucks, trailers and delivery vehicles
- **COBRA** will not process any titled vehicle credit application unless the package includes a copy of front and back of title and the owner on title is the seller to **COBRA**.

## **CONSTRUCTION CRITERIA**

- Any kind of construction equipment
- We prefer Caterpillar equipment, but that does not mean we will not review other type of name brand equipment.

## **NEW AND USED EQUIPMENT**

- We do new and used equipment
- We do used equipment based on the quality of the equipment and experience of operators

## **TITLE VEHICLES**

- **COBRA** will not process any titled vehicle credit application unless the package includes a copy of front and back of title and the owner on title is the seller to **COBRA**.
- We process the title directly with the local DMV office or a **COBRA** approved vendor;