



## Collateral Guidelines

	HARD ASSETS	SOFT ASSETS	ADDITIONAL COLLATERAL
<b>Collateral Structure Parameters</b>	This equipment <b>CAN</b> be counted towards the total collateral when funded and <b>CAN</b> be taken as additional collateral.	This equipment <b>CANNOT</b> be counted towards the total collateral when funded and <b>CANNOT</b> be taken as additional collateral.	This equipment <b>CAN</b> be taken as additional collateral when funding a hard asset or soft asset transaction.
<b>Possible Assets</b>	Car Hauler Trailer, Cement Silo Trailer, Chipper Dump Truck, Concrete Mixer, Crane Truck, Day Cab Tractor, Digger Derrick Truck, Drop Deck Trailer, Dump Trailer, Dump Truck, Feller Buncher, Flatbed Trailer, Flatbed Truck, Fuel/Lube Truck, Garbage Truck, Horizontal Directional Drill, Lowboy Trailer, Machine Tools, Mechanic's Truck, Pup & Tandem Trailer, Reefer Trailer, Refined Fuel Delivery Truck, Rock Crusher, Roll-off Trailer, Roofing Truck, Screen Plant, Scissor Lift, Sewer & Septic Truck, Sleeper Cab Tractor, Street Sweeper, Tank Trailer, Tub Grinder, Vacuum Tank Truck, Van Body Trailer, Van Body Delivery Truck, Water Truck	EVERYTHING ELSE THAT IS NOT A HARD ASSET: Auto Repair/Body Shop Equipment, Boom/Bucket Trucks, Buses, Cleaning Equipment, Drill Rigs, Forklifts, Lawn Care Equipment, Limos, Medical Equipment, Office Equipment, Printing Equipment, Restaurant Equipment, Salon/Spa Equipment, Security Equipment, Telecom Equipment, Tow Trucks, Woodworking Equipment (**NOTE** this is not an extensive list, only some common examples of equipment Dakota considers to be SOFT ASSETS.)	Any of the equipment listed as HARD ASSETS  Real estate equity (Developed Residential or Commercial Real Estate Only)  Personal vehicles worth over \$10K auction value
<b>Dakota Asset Analysis</b>	We can expect to recover %50 of the original asset value for these assets in what is a large and easily accessible secondary resale market.	We can expect to recover much less than 50% of the original asset value for these assets in the secondary resale market.	Usable real estate equity is calculated by taking 70% of the value of a property and then subtracting out everything owed against it.

Dakota Financial is an asset-based direct funding source. Each deal we fund must be backed by collateral—regardless of the customer's credit score or time in business. In every deal we fund, the **total collateral value must equal 2 or 2.5 times the amount requested for funding**—depending on the equipment being funded. Total collateral is calculated by adding the collateral value of the piece(s) being funded with the additional collateral value.

### **Funding Hard Assets: 2:1 Total Collateral to Funding**

When funding a hard asset transaction, we ask for a **2:1** total collateral to funding ratio. We will add the value of the equipment being funded with the value of the additional collateral to get the total collateral value. Additional collateral for a hard asset transaction can be anything listed in the Additional Collateral section above.

### **Funding Soft Assets: 2:1 Total Collateral to Funding**

When funding a soft asset transaction, we ask for a **2:1** total collateral to funding ratio. We will **not** count any value from the equipment being funded towards the total collateral value. Additional collateral for a soft asset transaction can be anything listed in the Additional Collateral section above. Our maximum deal size for this type of transaction is \$40K.

### **Funding Sale-Leasebacks or Working Capital: 2.5:1 Total Collateral to Funding**

When funding a Sale-Leaseback/Working Capital transaction, we ask for a **2.5:1** total collateral to funding ratio. These deals require a minimum of two assets: one that the customer sells to Dakota and leases back from Dakota, and the other for additional collateral. If the assets being sold to and leased back from Dakota are soft assets, we will not count them towards the total collateral in the deal and the maximum we will fund for this type of transaction is \$40K. The minimum value for an individual hard



asset to count towards total collateral in this type of transaction is \$20,000. Our minimum deal size for this type of transaction is \$20,000.

### **Funding No-Experience New Ventures: 2.5:1 Total Collateral to Funding**

When funding a customer in a new venture where he or she has no proven experience, we ask for a **2.5:1** total collateral to funding ratio. This collateral ratio is not necessary for every start-up—only deals where the customer has no experience in the field in which they are starting a business. If the assets being funded are soft assets, the maximum we will fund for this type of transaction is \$40K.

### **Hard Asset, Additional Collateral, & Real Estate Minimum Values:**

Although we do not have age restrictions on hard assets, we do have minimum value restrictions. A single piece of equipment is acceptable as a hard asset or additional collateral only if it is worth a minimum of \$10K at auction. In sale-leaseback transactions, a single piece of hard asset collateral must be worth a minimum of \$20K auction value. Real Estate is acceptable as additional collateral only if the property is developed residential or commercial property and the appraised value is a minimum of \$50K.

### **How We Value Hard Assets:**

Equipment values for hard assets come from various sources including nationally published guides, auction and resale websites, our own resale experience, and certified appraisals. We always attempt to come as close as possible to an asset's auction value, except with machine shop tools where we expressly use liquidation value.

### **How We Value Real Estate:**

Usable real estate equity is calculated by taking the difference between 70% of the appraised value of a property and the total amount owed against the property. Assuming sufficient equity exists in the real estate to meet the collateral requirements of a given transaction, the seniority of Dakota's lien has no relevance. We will take a second, third, or even fourth lien position; however we reserve the right to turn down any deal where we feel the amount owed against the property is too large for Dakota to get behind comfortably. Our minimum deal size for this type of transaction is \$20,000.

### **Additional Fees When Real Estate Equity is Used as Collateral:**

When real estate is used as additional collateral in a transaction, Dakota requires a non-refundable real estate deposit up front. The deposit will be used to obtain a professional real estate appraisal and title search. In order to make sure that a real estate appraisal is fair and unbiased, **WE MUST HIRE OUR OWN APPRAISER**—even if the customer has had his or her property appraised by a certified appraiser in the past week. In the case of residential real estate, we will require a \$500 deposit that will be credited towards the lessee's first payment if the transaction funds. In the case of commercial real estate, we will require a deposit that may be anywhere from \$2,000 to \$4,000, depending on the cost of the commercial appraisal. The commercial appraisal deposit will **NOT** be credited back towards the customer's first payment. Also, most deals that use real estate as additional collateral will have an additional \$1,500 built into the total funding amount to cover the cost of the real estate legal work. This cost is the same for both residential and commercial real estate. Please note that a few states have higher legal work fees which are calculated based on the size of the transaction. In these rare cases, Dakota will notify the broker of any difference in fees.

### **Verifying Ownership of Non-Titled Equipment:**

When non-titled equipment is used as additional collateral in a transaction, the customer must provide sufficient proof of ownership. This can be done by showing a copy of the original invoice or bill of sale from a vendor verifying the equipment was paid in full or a UCC filing and termination verifying the same. Whenever possible, it is best to verify proof of payment with a cancelled check or bank statement. To satisfy proof of ownership for non-titled equipment that was originally purchased from a private party, a bill of sale from the private party seller to our customer coupled with a cancelled check or bank statement verifying proof of payment is required. Furthermore, the private party seller must show proof of his or her right to sell the equipment to our lessee. This is also necessary when non-titled equipment is being purchased from a private party. This can be done by showing a copy of the original invoice or bill of sale from a vendor verifying the equipment was paid in full or a UCC filing and termination verifying the same. Whenever possible, it is best to verify proof of payment with a cancelled check or bank statement. If the private party seller purchased the equipment from another private party seller, then the chain of ownership needs to be verified with invoices or bills of sale going back to the purchase from the original, legitimate vendor.