COMMITTEE DECISION SUMMARY

Northgate Supply

Harborline Community Credit Union (sample) | Loan officer: Elena Ruiz (sample) | Prepared 11/18/2026

REQUEST	PROGRAM	RATE AND TERM	ANNUAL PAYMENTS, NEW LOAN
$2,927,500	**SBA 7(a) - business expansion**	**10% over 10 years**	**$464,246**

Purpose: acquire Delta Fastener, a distributor in the same industry

PRO FORMA DSCR	GLOBAL DSCR	DEBT TO EBITDA	LOAN-TO-VALUE
1.44x	**1.50x**	**2.47x**	**49%**
SBA minimum 1.15x	1 guarantor	funded debt $3,117,500	value $6,300,000 at 5x

EBITDA CUSHION	REVENUE CUSHION	COLLATERAL AVAILABLE	RISK GRADE
13.8%	**3.7%**	**$1,205,000**	**4 - Satisfactory**
before 1.15x	before 1.25x, costs held	shortfall $1,722,500	score 3.76 of 5

Coverage by year on today's debt service: FY2024 1.23x FY2025 1.44x | 2-year average 1.34x, lowest 1.23x

Global coverage by year: FY2024 1.29x FY2025 1.50x

Northgate owner (guarantor): net worth $4,798,000 | adjusted $1,932,000 | liquidity $609,000 | residence equity 53% | credit score 768

Environmental: Phase I ESA 09/27/2026, acceptable | Industry: 4 of 7 measures top quartile, bottom quartile in days sales outstanding | KYC and background: 1 of 1 complete | Cash proof: FY2025 -0.4%; IRS transcripts: 4 of 4 agree

Policy and program checks: 22 met, 2 to note

- ! Purchase price exceeds the independent valuation by $200,000; the gap is funded with equity, not loan proceeds.
- ! Coverage in the weakest of the last 2 years was 1.23x, below the 1.25x floor; the decision uses the most recent year.

Exceptions to policy (1, approved): collateral coverage (lendable value to loan) 41% against 100% minimum (Chief credit officer, approved). Mitigants are in the credit memo.

Strengths

- Coverage of 1.44x on proven earnings, above the 1.25x policy floor and the 1.15x SBA minimum
- Same-industry acquisition with overlapping customers and suppliers
- Three years of revenue growth at Northgate

Weaknesses and mitigants

- Collateral shortfall typical of an acquisition; mitigated by a lien on the guarantor's residence and life insurance
- Price $200,000 above the independent valuation; funded with buyer cash
- Coverage is sensitive to earnings: adjusted EBITDA could fall about 9% before coverage reaches the 1.25x policy floor and about 14% before the 1.15x SBA minimum; mitigated by the annual coverage covenant and quarterly interim statements

Suggested conditions

Seller note on full standby for the life of the loan; Annual tax returns and financial statements within 120 days of year-end; Minimum DSCR of 1.25x tested annually; Life insurance on the owner assigned to the lender.

Analyst's recommendation

Approve the SBA 7(a) loan of $2,927,500 to Northgate Supply to acquire Delta Fastener, on the terms requested and subject to the conditions above. Coverage on proven earnings is above the 1.25x policy floor, the target's earnings are verified by a lender-ordered quality of earnings report, and the guarantor has the liquidity and credit to support the loan. The main risk is a decline in revenue; the coverage covenant and quarterly reporting give the bank early warning.

FILE

Documents: 34 of 38 received; 4 outstanding, including interim financial statements and a year-to-date comparison

Analyst: Maria Santos Reviewed by: Philip A. Baratelli on 11/18/2026

Independence: no relationship found (checked 11/18/2026)

COMMITTEE DECISION

☐ Approve ☐ Approve with conditions ☐ Decline ☐ Table for more information

Committee chair _____ Date _____