

FOR IMMEDIATE RELEASE

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**Proposed Small Business Assistance and Relief Act (SBARA) Needs Attention and
Implementation by US Treasury**

Q & A's

Q1. How does this new SBARA loan program work?

A1. Small businesses borrow from traditional lenders many of whom are participating in the US Treasury Troubled Asset Relief (TARP), Commercial Paper Program (CPP), and other similar programs established by US Treasury. Obtaining a loan in this fashion would otherwise be transparent to the borrower, except this loan is designated by the lender as a SBARA loan. The lender pays off existing unsecured debt of the borrower directly. The Lender then aggregates these SBARA loans into a pool in amounts to be determined by the US Treasury and re-sells these debt instruments into an investor pool. Investors will buy these securities since they are backed by the US Government. Lenders, in most cases will retain servicing (i.e. billing statements, collection, etc.) and receive a fee, much as they do on many traditional loans they make. Specific requirements for lenders and certification of the loan pools would be determined by the US Treasury and Investor Markets.

Q2. Who is eligible for a SBARA loan?

A2. Small business owners with annual revenues of \$1 million or less, and 5 employees or less, and have been in business for at least 12 months. Principal(s) must have good credit and an established history of borrowing and repaying prior loans and credit lines as of September 30, 2008.

Q3. Can the lender require security for a SBARA loan?

A3. No. The SBARA loan is unsecured and replaces existing unsecured debt of the borrower. This is an unsecured debt swap to borrowers with good credit.

Q4. What kind of application is required to get a SBARA loan?

A4. The application process is designed to be simple and streamlined. The lender will obtain a credit report to verify borrowers payment history, and verification the business has been operating a minimum of 12 months such as a tax return, business license, or sales tax payment history, etc. Lender will also obtain statements from the borrower on it's business forecast, and assess the reasonableness of it in the local market discounting recessionary and economic impacts of the current economy. Lenders are prohibited from making an unreasonable refusal on the business forecast simply because they are not knowledgeable of the business line of goods and services. It is anticipated lenders will be loaning to local businesses, and are familiar with local markets and the potential of it. Lenders need only certify in their opinion that the business forecast appears reasonable, but shall not be penalized later if an optimistic forecast turns out not to be so.

Q5. Isn't an unsecured loan to a small business a risky investment?

A5. No. SBARA loans are replacing existing unsecured debt for established businesses, with good credit and reasonable business revenue forecast. In addition, SBARA loans are not dischargeable in bankruptcy for 5 years from the loan date. Thus, a qualified borrower cannot obtain a SBARA loan and then avoid payment through a bankruptcy discharge. Fraudulent loans either by borrower or lender will be prosecuted as such if found.

Q6. Why are participating lenders prohibited from reducing existing credit lines without reasonable cause?

A6. This program is designed to provide relief to borrowers and lenders. The lender benefits from the SBARA loan by having it's existing unsecured obligation(s) reduced or

eliminated thereby reducing it's own borrowing and capital requirements. At the same time it continues to extend credit at the prior levels it has established for the borrower under it's traditional lending practices. In addition, the lender receives a servicing fee on the SBARA loan when it retains the servicing aspect. This provision prevents lenders from engaging in panic interest rate increases and arbitrary panic reductions in credit availability due to their own management of their own assets and market conditions.

Q7. How is this program different than programs already being implemented by the US Treasury, such as TARP and CPP?

A7. In effect, the SBARA loan is a 5-year commercial paper program for small business, implemented by participating lenders. The primary difference is that SBARA is a bottom up solution spreading the risk among many borrowers with good credit. TARP and CPP US Government programs are top down and may involve very high dollar amounts, very poor risk loans, loans already in default, and loans to only a handful of borrowers (lenders) by comparison. Lenders in the traditional TARP and CPP programs have little or no incentive to make credit available to help the US economy. Large investors and stockholders are the immediate primary beneficiaries of the TARP and CPP programs. Some of the TARP and CPP companies are so large, it could take months, or years for them to figure out if they are truly solvent enough to get back into or deeper into consumer lending markets. Moreover, applying their own recently adopted credit criteria in a panic environment, few dollars by comparison will be loaned anytime soon.

Q8. What is the cost to the US Government of the SBARA loan program?

A8. The SBARA loan program for small business is designed to be revenue neutral. All loans carry risk and there will be defaults and losses. However, SBARA loans are made to small business owners with established good credit histories. The cost to actually set-

up and manage this program should minimal, and risk of loss and costs are factored in to be covered by the interest rate charged.

Q9. Why does the interest rate on a SBARA loan seem so low?

A9. The SBARA 5 year loan rate is indexed based on the US Treasury published 5 Year Daily Yield Curve Rate, 2.67% on 10/27/08 plus 2.75%. This will provide the US Treasury with 100% of its interest costs, plus a negotiated fee between US Treasury and lenders where US Treasury retains 100% of the weighted risk. The remaining 2.75%, less US Treasury fees are more than sufficient to cover lenders costs servicing good paying loans. In addition, the SBARA loan program will introduce competitive pressure on and between lenders to reduce excessive interest rates now being charged on similar lines due to the economic meltdown.

Q10. Why is unsecured personal debt allowed to be included to be paid off with a SBARA loan?

A10. No lender would ever make a loan to a new small business without the business owner's personal guarantee. Thus, many small businesses finance day-to-day requirements with personal debt blurring the lines between which card and credit line is for what and sort it all out at tax time. Although ideal, the administrative burden for very small businesses of keeping business and personal expenses 100% and completely separate for each and every single transaction is an impossible nightmare. For example, a contractor buys \$100 fuel for his truck but will use \$10 worth for personal use. To keep these transactions 100% separate, the contractor would have to make two purchases with separate accounts. It's much easier to allocate these when the bills come in. Small business owners can't afford expensive accounting and consulting teams or legal departments. Typically, new small business owners' start-up and initial capital expenses are paid from personal funds and personal borrowings. Many small businesses start as part-time initiatives and grow over time to full time occupations, and

occasionally large businesses. Small business owners know the importance of maintaining their good reputation in the community, and importance of the profitability of getting on and off the jobs and having the right equipment.

Q11. Why are interest only payments and payment skipping permitted on a SBARA loan?

A11. Small business owners need flexibility to manage day-to-day business operations and requirements. For example, a contractor needs a new piece of equipment for a job, but must pay cash to get a good price. The payment skipping provision and interest only provision is intended to provide some flexibility to the business owner to get the best price on the equipment without having to obtain new financing. Seasonal business may experience some income interruption or unanticipated expense during the off-season. A maximum of 6 payments can be deferred over the 60-month term of the SBARA loan. Interest continues to accrue.

Q12. Why are cash proceeds over and above the debt being paid off permitted with the SBARA loan?

A12. A maximum of 25% of the debt being paid off is allowable for cash proceeds. These funds can be provided and will help to revitalize and jump-start a recessionary economy. Seasonal businesses, such as in the marine and boating industry must gear up now to prepare for spring operations, after being particularly beaten down economically for the last 12 months. This could help a small business owner purchase inventory at a good price now, but which would not be used until spring, 2009, for example.

Q13. Will the actual SBARA loan program be different than outlined?

A13. Yes. The US Treasury will establish and manage this program and through a negotiated process with participating lenders. Changes will almost certainly be made in the program from what is described here. There is no guarantee that the US Treasury will implement this program at all, or may implement some other program. The idea

here is to come up with a program that could work to help lenders reduce current obligations thereby reducing their need to borrow in the open markets or from US Treasury, and reduce taxpayer risk and liability, help small businesses through difficult economic times, and improve competitiveness in the credit marketplace.

Q14. Isn't this just a new giveaway of taxpayer money?

A14. No. The program is designed to be revenue neutral, earning money for the US Treasury and participating lenders.

Q15. Who is Charles Taylor?

A15. Charles (Charlie) Taylor has owned and managed small businesses for over 20 years.

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