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Borrowing Base

Frequently Asked Questions

Q: How do I fill this out?

A: Gather your latest accounts receivable aging report and most recent financial statements. Locate the outstanding accounts receivable, inventory and net fixed assets. Then multiply by the appropriate margin as outlined on the borrowing base certificate.

Q: What are net fixed assets?

A: Net fixed assets are your total assets, less accumulated depreciation and leasehold improvements.

Q: Do I have to use net fixed assets on the borrowing base certificate?

A: No, only use net fixed assets if your loan is secured by all business assets including furniture, fixtures, etc. If you are not sure if your loan is secured by all business assets you can look this up in your loan documents.

Q: Why is the collateral percentage on the form blank? What percentage do I use?

A: Use the percentage that you and your loan officer have agreed upon. Most of the time accounts receivable is margined at 75%, inventory at 50% and net fixed assets at 50%. However, this is not always the case.

Here's an example of a properly filled out borrowing base certificate:

XYZ Corp. has a \$1,500,000 revolving line of credit at Missouri Bank. The revolving line of credit is secured by Accounts Receivable, Inventory and Net Fixed Assets. XYZ has \$1,000,000 in accounts receivable outstanding with \$50,000 over 90 days past due, the balance sheet reflects inventory of \$500,000 and net fixed assets of \$750,000 therefore the borrowing base should look like this:

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Borrowing Base Certificate

Company Name: XYZ Corporation

Date 09/30/08

A: Total Accounts Receivable	<u>\$1,000,000</u>	
Less Accounts Over 90 Days	<u>(\$50,000)</u>	
Total A/R	<u>\$950,000</u>	
Total A/R x .75	<u> x .75</u>	
= Eligible A/R		(1) <u>\$712,500</u>
B: Total Inventory	<u>\$500,000</u>	
Total Inventory x .50	<u> x .50</u>	
= Eligible Inventory		(2) <u>\$250,000</u>
C: Net Fixed Assets	<u>\$750,000</u>	
Net Fixed Assets x .50	<u> x .50</u>	
= Eligible Net Fixed Assets		(3) <u>\$375,000</u>
Eligible Borrowing Base (1) + (2) + (3)		<u>\$1,337,500</u>
Less: Current Borrowing on Line of Credit (note # 555555)		<u>\$850,000</u>
= Amount Available (Amount to Paydown)		<u>\$487,500</u>

*You may have noticed that the amount available is only \$487,500; this is because the amount available is the lesser of your maximum loan amount, or eligible borrowing base. If your result is a negative number, you should pay down your loan by that amount.