

# SME GUARANTEE SCHEME PHASE II

KEY TERMS SHEET: EFFECTIVE 15 JANUARY 2021

Overview of the SME Guarantee Scheme Phase II (Scheme)	
What is the purpose of the Scheme?	The Scheme is an Australian Government initiative to assist Small and Medium Businesses (SMEs) obtain better access to credit during the coronavirus pandemic to enable them to successfully adapt to the new COVID safe economy and invest for the future.
How does it work?	Under the Scheme, the Australian Government will provide a limited guarantee for eligible new loans to SMEs. The Scheme will support up to \$40 billion of lending to SMEs.
When is it available?	The Scheme is available for eligible new business loans made by Heritage from 1 October 2020 to 30 June 2021.
Eligibility for Scheme Support	
Who is eligible?	A new and existing customer is eligible if: <ul style="list-style-type: none"> <li>(a) they have an Australian Business Number;</li> <li>(b) they are an SME with an annual turnover of up to \$50m; and</li> <li>(c) they make a new loan application (and not an application for an extension of credit under an existing loan).</li> </ul>
Heritage Scheme Proposition 1: SME Unsecured Working Capital Loan	
Purpose and product design	An unsecured variable rate term loan product designed to provide an injection of working capital to support business cash flows affected by COVID-19 and/ or to fund business growth.
Loan Amount	\$20,000 - \$100,000
Term	Maximum 5 years
Repayment Arrangement	<ul style="list-style-type: none"> <li>• Principal and interest repayments fully amortising over the term of the loan</li> <li>• Optional 6 month initial repayment holiday, subject to credit approval</li> </ul>
Fees	Loan Approval Fee: \$600 Monthly Administration Charge: \$20
Interest Rate	Variable Interest Rate of 5.45%
Security	In some circumstances, Heritage may require security in the form of a personal guarantee and/or a general security agreement.
Heritage Scheme Proposition 2: SME Equipment Loan	
Purpose and product design	An equipment finance product designed to meet one of the highest frequency business borrowing events: replacing, upgrading or purchasing additional plant & equipment that will be used for a business purpose.
Loan Amount	\$20,000 - \$500,000
Term	Maximum 5 years
Repayment Arrangement	<ul style="list-style-type: none"> <li>• Principal and interest repayments</li> <li>• A balloon payments structure is an optional feature and is permissible as follows:               <ul style="list-style-type: none"> <li>– 2 year term with a 60% balloon payment</li> <li>– 3 year term with a 45% balloon payment</li> <li>– 4 year term with a 35% balloon payment</li> <li>– 5 year term with a 20% balloon payment</li> </ul> </li> </ul>
Fees	Application Fee: \$200
Interest Rate	Fixed rate only: <ul style="list-style-type: none"> <li>• 1 year 4.40%</li> <li>• 2 year 4.40%</li> <li>• 3 year 4.45%</li> <li>• 4 year 4.50%</li> <li>• 5 year 4.60%</li> </ul>

Security	Heritage may require security in the form of a personal guarantee, a mortgage over non-residential real property and / or another security interest in property that is not residential property (such as a general security agreement).
Inspections	Individual assets >\$100,000 are required to be physically inspected prior to being funded. Private sales are permissible, however, in all cases need to be independently valued and physically inspected by a registered equipment valuer.
Acceptable Equipment Finance Asset Classes	<ul style="list-style-type: none"> <li>• Transport &amp; Logistics Equipment: Buses, Prime Movers, Trailers, Body Trucks &amp; Forklifts</li> <li>• Construction Equipment: Hydraulic Excavators, Off Highway Trucks i.e. water and dump trucks, Mechanical Graders, Skid Steer Loaders, Cranes &amp; Bulldozers</li> <li>• Agricultural Equipment: Combine Front Headers, Sprayers and Tractors</li> </ul>

### Heritage Scheme Proposition 3: SME High LVR Fixed Rate Loan

Purpose and product design	<p>A secured, fixed rate, term loan product, for the purpose of acquiring a new commercial property up to a maximum 80% Loan to Valuation ratio (LVR) or for leveraging an existing commercial property up to a maximum 80% LVR for an acceptable business investment purpose.</p> <p>This product has a balloon payment capability (a higher residual final payment), so that monthly loan repayments can be set on notional repayment terms which differ to actual loan terms (i.e. 5 year term with a 15 year notional repayment term). The residual final payment must be paid at the end of the loan term.</p> <p>This design feature enables businesses to gain more favourable access to credit through the Scheme, by enabling them to invest in their long term future (i.e. acquire a commercial property) without an unnecessary strain on their working capital (i.e. lower deposit) or monthly cash flows (i.e. loan repayments set at 15 year notional repayment rate not 5 year actual).</p>
Loan Amount	\$20,000 - \$1,000,000
Term	3 - 5 years
Repayment Arrangement	Principal and interest repayments set at a maximum notional 15 year repayment term. Any outstanding loan balance at loan maturity will be either repaid upon maturity through a balloon repayment (a higher residual final payment) or renegotiated into a new facility. The residual final payment must be paid at the end of the loan term.
Fees	Loan Approval Fee: 0.25% of the loan amount subject to a minimum fee of \$600. Monthly Administration Charge: \$20
Interest	Interest Fixed rate only: <ul style="list-style-type: none"> <li>• 3 year 3.80%</li> <li>• 4 year 3.85%</li> <li>• 5 year 4.00%</li> </ul>
Security	Heritage may require security in the form of a personal guarantee, a charge over deposit, a mortgage over non-residential real property and/or another security interest in property that is not residential property (such as a general security agreement).
Restrictions	80% LVR restricted to commercial properties located in Toowoomba, Brisbane, Gold Coast, Sunshine Coast, Sydney and Melbourne, and is not available for property construction or development (established properties only).

### Further Information

Application Process	<p>New and existing customers may apply by contacting Heritage:</p> <p>By telephone <b>1300 301 809</b></p> <p>By email <b>info@heritage.com.au</b></p>
More information	Treasury website at <a href="https://treasury.gov.au/coronavirus/sme-guarantee-scheme">https://treasury.gov.au/coronavirus/sme-guarantee-scheme</a> .