

Business dreams do
come true with a

SMALL BUSINESS LINE OF CREDIT

 Mechanics Bank®



Why Your Business Should Explore This Fast and Flexible Lending Option



Many small businesses have emerged from the pandemic on a growth footing. However, for many, entering a growth phase can make it difficult to gauge their cash flow needs, often experiencing capital or inventory shortfalls. As staff is added or new equipment purchased, there can be an ebb and flow with a business's cash flow that can often lead to a temporary cash crunch.

In many cases, the need for a capital infusion is temporary, so long-term financing may not make sense. The ideal solution for many businesses is to open a business line of credit (BLOC) that can provide quick access to cash when needed.

What Exactly is a Business Line of Credit (BLOC)?

A business LOC is not unlike any other revolving credit account, such as a credit card or home equity line of credit, that establishes an amount of credit that can be tapped at any time, for any reason. You can spend up to that amount, but as you make payments, money becomes available to you again. Payments are flexible, allowing you to only pay interest charges when cash is tight. The revolving nature of a line of credit lets you use this financing source for a long time, as long as you keep up with your payments.

Lenders rely on specific criteria such as the business's revenue history, projected cash flow, and financial stability to determine the amount of credit available. Compared to a business credit card, the limits for lines of credit are higher, and the Annual Percentage Rates are lower.

How a Line of Credit Can Benefit Your Business

Businesses can realize critical benefits with a BLOC over other forms of financing, including:

ACCESS WORKING CAPITAL WHEN YOU NEED IT

With a BLOC, you can access funds whenever they're needed for:

- Funding operating costs
- Managing cash flow
- Paying suppliers
- Funding seasonal campaigns
- Purchasing inventory
- Increasing efficiency
- Taking advantage of opportunities that might arise



MORE EXPENSE CONTROL

You can control interest costs by accessing your BLOC only as needed. Instead of paying interest on the proceeds of a fixed loan that you don't currently need, you only pay interest on what you draw down from a BLOC.

MORE FLEXIBILITY

Instead of taking out a term loan for a lump sum of cash requiring full regular payments, with a BLOC, you draw down only the amount you need. You can adjust your payments based on cash flow, paying interest only in lean times or making full principal and interest payments in flush times. As the BLOC is replenished, you have more available to draw down.

LOWER RATES

Generally, the interest rates charged on a BLOC are lower than on short-term fixed loans. Your rate will depend on your credit score, business revenue, and other financial factors.



Industries That Can Benefit From a Business Line of Credit



MANUFACTURING

Working capital can present unique challenges for manufacturers. To keep up with the inventory needs of their customers, manufacturers need to invest in materials, labor, and production now, but they may not get paid for months. A working capital shortfall can result in cash flow issues, which can cripple a manufacturer, especially when there are spikes in demand. A BLOC enables manufacturers to proactively manage their working capital, ensuring they have the capital available as opportunities or challenges arise.



RETAIL

The cash flows of retail businesses are notoriously unpredictable. A BLOC can help retailers to smooth out the ebb and flow of cash flows to better manage inventories and move in and out of seasonal demand.



OFFICE

When businesses need to increase staffing to take advantage of a new opportunity, it requires an outlay to cover recruiting, hiring, training, and payroll costs. The returns on those outlays could be months away. If the cash isn't there, businesses could miss out on opportunities. With a BLOC, businesses can have the confidence to increase their staffing as needed.



RESTAURANTS

For restaurants that do well, it's a double-edged sword. The key to sustaining any level of growth is being able to keep up with the number of people that can be served in an hour. Restaurants that can't staff fast enough will lose customers due to long wait times or poor service. Restaurants with a BLOC can continuously fund staff additions.



CONSTRUCTION

Construction businesses rely heavily on working capital to ramp up new projects, often making significant expenditures well before any revenue is generated. If a business is anticipating \$1 million in construction costs for the next ten projects, financing the total amount with a fixed loan would be very expensive. Instead, they could access the capital from a BLOC as each project comes up, saving interest costs and increasing cash flow efficiency.



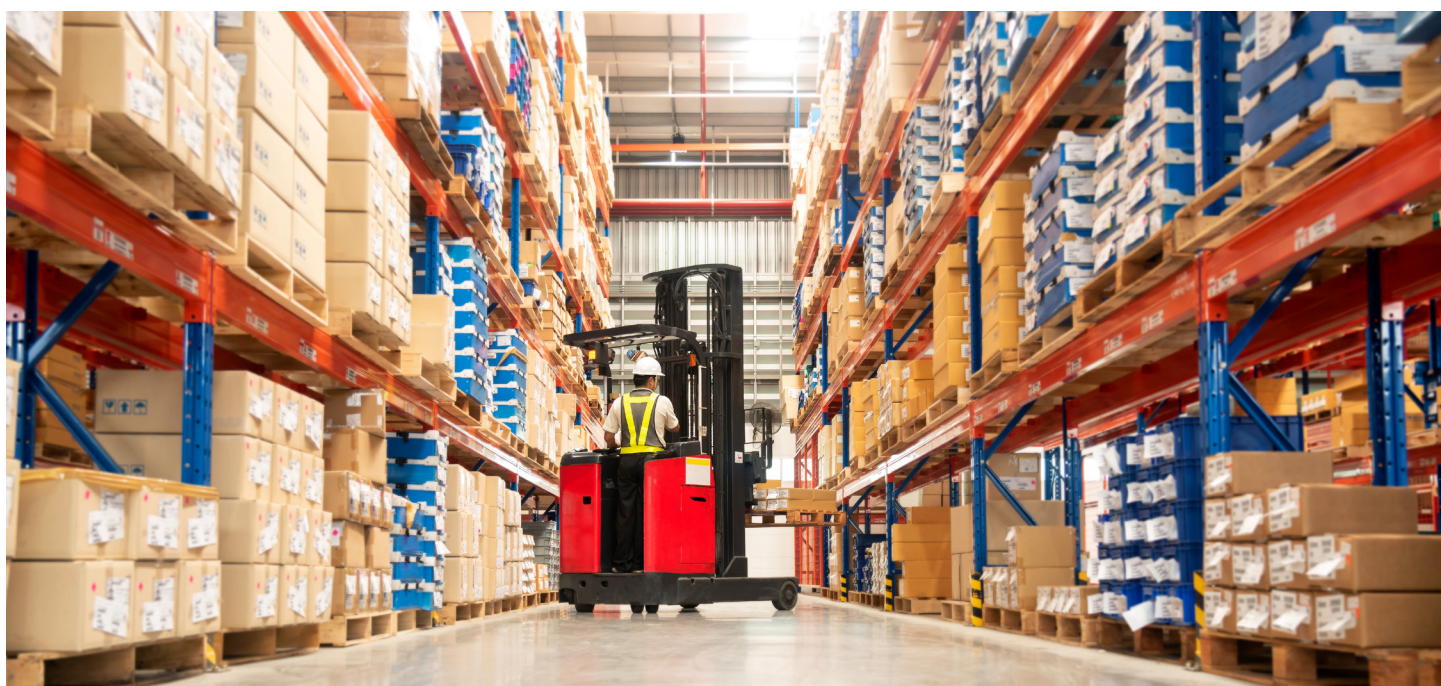
WHOLESALE

Wholesaling businesses rely on their ability to ramp up inventory purchases quickly, especially if they get a new customer or when an existing customer increases its orders. If they don't have the capital to fulfill those orders, their customers will likely look elsewhere. A BLOC enables wholesalers to confidently take on larger orders and new customers that will grow their business.



MEDICAL PRACTICES

A significant challenge for medical practices is that it can often take months to receive insurance reimbursements, making it difficult to predict cash flows. A BLOC can help medical practitioners weather slow account receivables and can also be used to expand their practice.



Is Now a Good Time to Take Out a Business Line of Credit?

Most BLOCs charge variable interest rates, which means you pay less interest when interest rates are declining and more when they are increasing. But if your business needs short-term access to capital, a BLOC can make more sense than a fixed-term loan. That's because you can control your interest expense. Paying higher interest for a short period can be less expensive than paying interest for the entire length of a loan term.

But interest rates shouldn't be the only factor when considering if now is a good time for a BLOC. Here's why it could be to a business's advantage to take out a BLOC sooner rather than later:

YOU EXPECT TO NEED FINANCING AT SOME POINT

The biggest mistake many business owners make is to wait until the need for cash arises before seeking financing. When you wait until the last minute to obtain financing, your options are more limited and expensive. When you obtain a BLOC, you can sit on it until the need arises. It becomes the reserve you need for more flexibility and nimbleness in dealing with cash crunches or opportunities.

YOU NEED A FINANCIAL SAFETY NET

Mature businesses have more capacity to build up a working capital account they can use for emergencies or opportunities. A BLOC can stand in as a working capital account for growing businesses that keep their cash working in the business. It's as accessible as the cash in your business checking account and can be used for any purpose.

Explore a Business Line of Credit with Mechanics Bank

We have two limited time offers on small business lines of credit depending on your financing needs.

- **Up to \$100,000¹**
 - Prime Rate +0.0%²
 - No origination fee³
 - 1-year renewable term
- **\$100,000-\$250,000¹**
 - Prime +0.5%²
 - \$500 origination fee
 - 1-year renewable term

One of our Bankers will be in contact to discuss how a Business Line of Credit can help your business succeed in any environment.

For more information on Mechanics Bank and what sets us apart, visit www.MechanicsBank.com/WhyMechanics

YOU'RE GOING TO NEED MORE FINANCING AT SOME POINT

Businesses expecting to get to the next level will need more financing at some point. BLOCs are an excellent solution for short-term funding needs but can be limiting due to their relatively lower credit limits. When your business needs to make more substantial investments, you will need access to more significant amounts of capital via a small business loan. Small business loans can sometimes be difficult to obtain because of their credit requirements. By taking out and using a BLOC, your business will build a positive credit history that could make it more likely to be approved for larger loans.

Conclusion

When used judiciously, a BLOC can be one of the best financing tools to grow your business. A BLOC can help you get what you need to operate efficiently, gain more customers, take on your competitors, and expand into new markets. It can help you prepare for the future in uncertain times and flourish when things are running smoothly. No matter which type of financing you seek, you will get some significant relief to push your business into the future.

All loans and credit products subject to program eligibility, collateral, underwriting approval and credit approval. Offer is for new lines of credit and does not apply to renewing lines of credit.

1) Represents borrower's new aggregated business credit exposure limits to qualify for advertised pricing. 2) Offer is effective as of 3/17/2022 and subject to change or cancellation without notice. Prime Rate is defined as "the Prime Rate as published daily in the Money Rates section of the Wall Street Journal." For the current Prime Rate, talk to a banker or visit <https://www.wsj.com/market-data/bonds/moneyrates>.

3) Origination fee waived for the first year for Lines of Credit up to \$100,000.