

### **CC&Rs for Bob Smith, Inc.**

During the original loan, the bank included, as part of the loan documentation, a document called Covenants, Conditions & Restrictions (CC&Rs), which the company had to comply with to maintain its credit facility with the bank. The major conditions of this included:

1. The company will maintain at least \$70,000 in their DDA (noninterest bearing checking) at all times as compensating balances against their loan.
2. The company will maintain a current ratio of at least 2:1.
3. The company will maintain a quick ratio of at least 1.5:1.
4. The company will not increase officer salaries by more than 5% while the loan is outstanding.
5. The company will not pay bonuses to officers without the bank's explicit approval.

Teams will consider compliance with the loan's CC&Rs as part of their loan approval process.