



APC Know Your Customer Policy

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Document Overview, Purpose, and Applicability:

In this document, ApplePie Capital (“APC” or the “Company”) outlines requirements ‘Know Your Customer’ (“KYC”) activities, which support the Company’s BSA/AML/OFAC Program Policy. KYC activities enable the Company to form a reasonable belief as to a customer’s true identity, the nature of the customer’s business, and the level of risk the customer’s loan relationship may pose.

This Policy is applicable to all lending application, funding, and account management activities.

Statements:

- 1. Customer Identification Program (including Beneficial Ownership)** – APC has a “Customer Identification Program” which requires employees to collect and verify identification for customers in the lending application process in order to form a reasonable belief as to the true identity of the customer. The Company’s Chief Credit Officer will implement this program within pre-funding policies and procedures.

1.1. Customer Identification:

- 1.1.1. To identify the business customer, the following information will be obtained with every application the company receives
 - Business entity’s official legal name;
 - Physical address (no P.O. Boxes or mail drops) of the business entity’s principal place of business or main office;
 - Employer Identification Number (EIN)/Tax Identification Number (TIN) of the entity (the Company does not accept TIN applications); and
 - List of Owners with at least 25% ownership in the entity (which may be a subset of a more comprehensive entity ownership list collected); before May 11, 2018, this list includes all owners with at least 25% ownership of the business entity; on or after May 11,



2018, this includes a list of individuals¹ with ownership stakes in the business totaling at least 25% and, if none of these individuals exercise significant managerial control over the entity, an additional individual who does exercise significant managerial control, even if not an owner

1.1.2. ApplePie Capital also collects the following information with every application the Company receives, even when the ownership group is the same as a previous/existing customer's application:

- Name of any individual(s) on the List of Owners with at least 25% ownership in the entity;
- Physical address (no P.O. Boxes or mail drops) of the individual(s) on the List of Owners with at least 25% ownership in the entity;
- Data of birth for the individual(s) on the List of Owners with at least 25% ownership in the entity; and
- Social Security/Tax Identification Number (TIN) of the individual(s) on the List of Owners with at least 25% ownership in the entity.

1.1.3. In accordance with BSA/AML requirements and as part of initiating the application, the Company collects and documents a specific purpose for loans of \$10,000 or more. The purpose collected must be more detailed than "Business" or "Commercial"

1.2. Verification of Customer Identity

1.2.1. Before qualifying any loan for funding, the Company must verify the identity of the business entity customer using at least one entity document from among the following:

- Government-certified copy of a certificate of existence and good standing;
- Unexpired business license; or
- Articles of Organization or Partnership Agreement with ownership structure matching the declaration used for entity identification

1.2.2. The Company verifies the identity of individual who are on the List of Owners with at least 25% ownership of the entity. Given a variety of circumstances, verifying identification is accomplished through non-documentary methods or by reviewing documentation produced by the individuals. The following describes those methods acceptable for verifying identification information

1.2.2.1. Non-Documentary Methods: APC accounts are opened over the internet. APC deploys non-documentary methods for verifying identification of individuals.

¹ If a non-statutory trust owns at least 25% of the business, its trustee is included on the list; if the individual does not have capacity, the individual's power-of-attorney is included on the list.



Non-documentary methods allowed include independently verifying the customer's identity through the comparison of information provided by the customer with information obtained from a consumer reporting agency public database, or other source.

1.2.2.2. Reviewing Documentation Provided By The Individual: When an individual's identity cannot be verified through Non-Documentary Methods, the individual's identity must be verified through a review of documentation provided by the individual. The documentation must be an unexpired government-issued identification, which provides evidence of a customer's nationality or residence and bears a photograph or other similar safeguard, such as a driver's license or passport. It must be an image of the original document or an image of a copy of the original document that appears reliable and does not show indications of alteration.

1.3. Customer Notice: As part of the application initiation process, the Company provides customers with the following Notice of Customer Identification Program in accordance with the regulations implementing Section 326:

1.4. Comparison with Government Lists: Customer identities must be compared against separate designated government lists of known or suspected terrorists or terrorist organizations; to date, the government has not designated any such list.

2. Customer Due Diligence – APC applies additional due diligence across all applicants and borrowers to meet the expectations of its business partners and to ensure it has sufficient information to evaluate the risk of money-laundering and terrorist financing by individual customers. APC applies enhanced scrutiny to some applicants and customers with indicators of higher risk.

2.1. Due Diligence Performed on All Loan Requests Before Funding

2.1.1. Additional Identification and Verification Due Diligence: ApplePie collects the same information collected in Section 1.1 on any additional individuals who are also personal guarantor(s) on the loan request, even if they are guarantor(s) on a previous/existing customer's application; the Company verifies the identity of the same individuals using the methods described in Section 1.2

2.1.2. Customer Risk Rating at Application Stage: The Company applies enhanced due diligence to certain applicants and borrowers. In order to determine which entities require enhanced due diligence, each application for credit is evaluated for the presence of risk factors for enhanced due diligence:

- Applicant/Borrower is a franchisor (as opposed to a franchisee)
- Franchise Brand of Applicant/Borrower is in business less than 5 years and has fewer than 25 franchise units



- Franchise Brand of Applicant/Borrower is a cash-intensive business (or there is a privately-owned ATM at the applicant/borrower's location)
- Ownership structure includes a non-resident alien owner with at least 25% ownership

2.2. Due Diligence Performed on All Loans Post-Funding: ApplePie applies Customer Identification and Verification requirements (Section 1.1 and Section 1.2 of this document) to any individuals who request to join the ownership structure of a business entity post-funding

2.3. Customer Risk Rating Adjustments: The Company may consider one or a number of objective mitigating factors to reduce the sum of Customer Risk Rating factors applicable to a given customer. Eligible factors will be approved by the AML/BSA Officer to be added to this policy before being applied to a given customer. To date, no such factors have been identified. The Company may judgmentally escalate any customer's risk rating due to anomalous activity, negative news, or receipt of any government information request directly or through a partner.

2.4. Enhanced Due Diligence on High Risk Entities: Enhanced Due Diligence provides additional risk-based scrutiny on applicants, borrowers, and their activities for the sake of improving underwriting decisions and suspicious incident identification.

2.4.1. Applicants with at least three risk factors require the Head of Underwriting to investigate the application; the Head of Underwriting (or Chief Credit Officer or BSA/AML Officer) must approve the application to pass CIP and to be eligible for a loan commitment after underwriting

2.4.2. If funded, borrowers with at least three risk factors, after any mitigating or escalating adjustments, are included on an Executive Watchlist

3. Record Retention: The Company retains all records obtained to identify and verify the customer and beneficial owners (identifying information, the methods and results of measures taken to verify identity, and a record of any document relied on including the type of document, its number, dates of issuance and expiration, and place of issuance). The Company also retains the details of the loan (loan amount, nature/purpose, and date of loan). Records are retained for five (5) years after the account is closed.

References:

1000.2.001 BSA/AML/OFAC Policy

Revision History:

Date of Action	Responsible Party	Description of Action
November 2016	BSA/AML Officer	Separate KYC Policy from AML/BSA Policy
April 2017	BSA/AML Officer	Reflect existing Business Entity verification and due diligence;



		add Customer Risk Rating and Enhanced Due Diligence requirements; incorporate May 11, 2018 rules regarding Beneficial Ownership
July 2017	BSA/AML Officer	Clarification of existing business practice regarding CIP requirements for repeat ownership groups and additional guarantors
December 2017	BSA/AML Officer	Full renewal