



BANK INTRODUCTION: SQUARE 1 BANK



ABOUT Square 1 Bank

Square 1 Bank was purchased by **Pacific Western Bank**

Square 1 Bank, a division of Pacific Western Bank. Member FDIC

Square 1 Bank is the best banking partner to startups, growth-stage companies and their investors. We provide financial services to help your business grow.

BY PHONE

866.355.0468

BY FAX

866.355.7099

Contact your Client Service Specialists from 8 a.m. to 8 p.m. ET or email nsc@square1bank.com.

BY MAIL

Square 1 Bank
a division of Pacific Western Bank
406 Blackwell Street
Suite 240
Durham, NC 27701

WHO CAN OPEN AN ACCOUNT?

High-Tech companies with venture capital backing or after seed investment round can apply.

ACCOUNT TYPES

Checking

Certificates of Deposit

A Square 1 CD will put your idle funds to work earning interest. With our flexible term lengths, you can customize your CD based on your liquidity needs. Competitive, tiered interest rates increase with the amount you contribute, offering you maximum interest-earning potential with FDIC insurance coverage up to \$250,000.

Money Market Accounts

When you're looking for a spot to park your funds for short-term needs, Square 1 Money Market Accounts (MMAs) are your best bet. These interest-earning accounts are always accessible via Online Banking* and offer competitive, tiered rates—as your funds grow, your earnings grow. You'll also have FDIC insurance coverage up to \$250,000.

*Federal regulation does not permit you to make more than six pre-authorized, automatic and/or telephone transfers or withdrawals during a statement cycle (or a period of at least four weeks).

Sweep Accounts

With our automated sweep accounts, you can optimize your return on excess balances while maintaining complete liquidity. Just set a target balance in your operating account. Excess funds will automatically transfer to the account or money market fund of your choice. Additionally, when your operating cash drops below your target, funds from your investment accounts will transfer automatically.

Zero Balance Accounts

Zero Balance Accounts (ZBAs) streamline your collections and safeguard your cash by automatically transferring incoming deposits routed to multiple individual accounts into one master account. ZBAs are preset to maintain a target balance—typically zero. By eliminating manual transfers, ZBAs save time and simplify account reconciliation. They also improve control by allowing for segregation of accounting duties. **Security and Regulatory Information**

Azlo accounts are offered in partnership with BBVA Compass, member FDIC. Your deposits are insured up to the FDIC limit. You can learn more about coverage on the FDIC website.

HOW TO OPEN AN ACCOUNT

You should call the bank and apply

<https://www.pacwest.com/>

ACCOUNT FEATURES

Automated Clearing House (ACH)

ACH can transmit funds on a predetermined date to pay vendor invoices, tax payments or employee reimbursements—just to name a few examples. These electronic payments are automated and settle faster and more securely, and they are more environmentally friendly than paper checks.

ACH Debit Origination

Automate your collections by using ACH debit origination, which allows you to schedule payments to be deposited directly into your Square 1 account. Your customers benefit from the convenience, and you get paid faster. You'll also have greater predictability in

your accounts receivable and the ability to automate transfers from other financial institutions.

Remote Deposit Capture

With our convenient remote deposit capture service, you can deposit checks 24/7 right from your desk (stay tuned for mobile). It's quick and easy: You'll scan the check and electronically transmit it to us—no deposit ticket required. We'll process it and credit your account.

Lockbox Services

With our lockbox service, you can outsource your remittance processing. Save time and money by letting us retrieve, process and deposit your incoming checks. We'll also capture and send you all the information you need for reconciliation, however you wish to receive it.

Already have a Square 1 lockbox? Access your account [here](#).

Credit Cards

Square 1 Bank offers a true corporate MasterCard® that will help you streamline operations, reduce administrative costs and improve control over your expenses. With no annual fee and no personal guarantees required, we think it's a no-brainer.

The Square 1 Bank MasterCard offers the following benefits:

Automated Expense Tracking—There's no need to enter transaction data manually. We can set up a direct data feed to populate your expense-tracking software with transaction data in real time.

Visibility + Control—Enjoy preset purchase limits and acceptances, and you can manage it all with consolidated or individual billing options.

Convenience + Flexibility—Make payments online, by check or by phone, at the time due or throughout the statement cycle to free up cardholder availability.

Cost Savings + Protection—Enjoy free travel insurance and protection, as well as discounts at major company partners such as Avis® and Office Depot®, with the MasterCard Easy Savings Plan®.

24/7 Customer Service—In keeping with our standards and an entrepreneur's schedule, customer service for our credit cards is accessible at all times. Simply call 800.944.2726 and someone will gladly help you no matter the time or day.

Already have a Square 1 credit card? Access your account here.

Wire Transfer

Wire Transfer is the safest, fastest way to shift funds from one location to another, in virtually any country or currency. You can initiate a wire through Online Banking, whether you're sending wires domestically or internationally. Online Banking reduces outgoing wire costs and employs strict user security protocols to safeguard your transactions.

1Pay Bill Pay

Pay your vendors online with 1Pay, our commercial bill pay solution. In addition to saving you time and stamps, this service offers improved control through user-level segregation of duties. It also integrates directly with your accounting platform, eliminating the possibility of double entry.

Correspondent Banking

Correspondent Banking allows you to access international markets through Square 1. Our partnerships with the world's leading financial institutions will help you facilitate foreign investments, payments and trade.

Foreign Exchange

Our Foreign Exchange (FX) platform allows clients to conduct business in multiple currencies. Through our partnerships with global banking institutions, we can execute FX transactions efficiently and provide a variety of valuable services. We also offer comprehensive consultation and solutions for complex needs like currency hedging.

Forward Contracts

Forward contracts specify the delivery of currency at a future date at a price established on the contract's origin date. These contracts guarantee the U.S. dollar value of a future business commitment involving the purchase or sale of foreign currency.

How They Work

A forward FX transaction is an agreement between your company and Square 1 for the exchange of specific currency amounts at a designated settlement date in the future. The exchange rate applied in the forward FX contract is agreed upon at the trade date.

The forward exchange rate is derived from the current market spot rate, time to maturity and interest rate differentials between the two currencies.

There is no upfront fee.

Example

XYZ Company imports telecommunication equipment from a Canadian supplier at a cost of CAD 3 million. XYZ Co. is invoiced and payment is due in 180 days (t+180).

XYZ Co.: Buys CAD/sells USD

Amount: CAD 3.0 MM

Forward Rate: 0.7575

On the forward maturity date (t+180), XYZ Co. will exchange 0.7575 USD per each CAD received. In this example, XYZ Co. will exchange USD 2.2725 MM with Square 1 and receive CAD 3.0 MM on t+180. XYZ Co. will then have Square 1 wire the CAD 3.0 MM to the Canadian supplier.

Square 1 can arrange drafts or wire payments for forward delivery at competitive rates to settle a company's foreign currency payables. Additionally, a company's foreign currency receivable payments may be directed through our network of correspondent banks for credit to the company's U.S. dollar account.

Considerations

Easily implemented for future foreign payables and receivables.

Eliminates adverse fluctuations to currency exposure and locks in an exchange rate as of the trade date.

Easily implemented as a series of forward transactions for recurring FX hedging needs such as payroll.

Acts typically as a liquid and transparent foreign exchange hedging tool.

Allows a client to keep allocated cash in its main operating currency until the time of settlement.

Provides fixed hedges and increased accuracy for foreign line items that impact budgeted financial statements.

Swap Contracts

Swap contracts are agreements to exchange currencies on one date and re-exchange those currencies after an agreed-upon time period.

NDF Contracts

Under non-deliverable forward (NDF) contracts, no actual delivery of the contracted currency will occur at maturity. The only settlement/exchange that will occur on the maturity date will be the difference between the U.S. dollar value at the contracted NDF rate and the U.S. dollar value at the current spot reference rate or fixing rate.

How They Work

A NDF transaction is a forward FX hedging mechanism where the physical exchange of currency at expiry is replaced by settlement between counterparties of the net profit/loss on the contract, calculated using the prevailing spot fixing rate two days prior to settlement. The net settlement will occur in a predetermined convertible currency, typically USD.

A client can use an NDF to hedge against a currency that does not have a deliverable market offshore, including the Taiwan Dollar (TWD), Korean Won (KRW), Chinese Yuan (CNY), Brazilian Real (BRL) and Argentine Pesos (ARS).

There is no exchange of principal and no upfront fee.

Example

XYZ Company imports telecommunication equipment from a Brazilian supplier at a cost of BRL 3 million. XYZ Co. is invoiced and payment is due in 180 days (t+180). The supplier wishes to be paid in USD in an amount equivalent to BRL 3 MM. Thus, XYZ Co.—not the supplier—is exposed to exchange rate fluctuations.

XYZ Co.: Buys BRL/sells USD

Amount: BRL 3.0 MM

Forward NDF Rate: 0.7690

Scenario 1: NDF Hedge is In-the-Money (ITM)

Spot Fixing Rate: 0.8000

At maturity, XYZ Co. has the obligation to buy BRL 3.0 MM from Square 1 at the rate of 0.7690 compared to the spot fixing rate of 0.8000. However, since BRL is a non-convertible currency, the net amount will be settled in USD.

To settle the NDF, Square 1 will make a payment of USD 93,000 to XYZ Co. on t+180. The amount is calculated as follows from the perspective of XYZ Co.:

$$(\text{BRL } 3.0 \text{ MM} * 0.8000) - (\text{BRL } 3.0 \text{ MM} * 0.7690) = \text{USD } 93,000$$

XYZ Co. benefits from the hedge despite the strengthening of BRL and can budget that the net cost of the equipment will be, in dollar terms, USD 2.307 MM. XYZ Co. will then have Square 1 wire to the Brazilian supplier USD 2.4 MM and XYZ Co. will also receive USD 93,000 from Square 1. The net of the payments equals the budgeted amount of USD 2.307 MM. The supplier will then convert the USD to BRL with its own bank.

Scenario 2: NDF Hedge is Out-of-the-Money (OTM)

Fixing Rate: 0.7410

At maturity XYZ Co. has the obligation to buy BRL 3.0 MM from Square 1 at the rate of 0.7690 compared to the fixing rate of 0.741. However, since BRL is a non-convertible currency, the net amount will be settled in USD.

To settle the NDF, XYZ Co. will make a payment of USD 84,000 to Square 1 on t+180. The amount is calculated as follows from the perspective of XYZ Co.:

$$(\text{BRL } 3.0 \text{ MM} * 0.741) - (\text{BRL } 3.0 \text{ MM} * 0.7690) = - \text{USD } 84,000$$

XYZ Co. will have Square 1 wire USD 2.223 MM to the Brazilian supplier and will pay USD 84,000 to Square 1. The sum of the payments equals the budgeted amount of USD 2.307 MM. The supplier will then convert the USD to BRL with its own bank.

Considerations

Easily implemented for future foreign payables and receivables.

Eliminates the impact of adverse fluctuations in currency and locks in an exchange rate as of trade date.

Easily implemented as a series of NDF transactions for recurring FX hedging needs such as payroll.

Are moderately liquid and transparent FX hedging tools.

Allows client to keep allocated cash in its main operating currency until the time of settlement.

Provides fixed hedges for foreign line items impacting budgeted financial statements and increases accuracy of pro-forma financial statement building.

Offers minimal sovereign/convertibility risk.

Requires minimal dependence on local markets, except for fixing.

Option Contracts

Option contracts give you the right to buy or sell a specific currency at a predetermined rate on a fixed date. Our currency option mitigates risk by offering guaranteed exchange rate protection and/or potential upside during a specified time frame (e.g., pending bid acceptance or while an obligation exists).

How They Work

The purchase of an FX option contract provides the client with the right, but not the obligation, to buy a specified amount of an underlying currency at an agreed-upon exchange rate (the strike rate) on a specific future date (the expiry date).

In exchange for buying this right, the client will pay an upfront fee, known as the option premium, to Square 1 Bank.

The client will choose the currency pair and option maturity date as business needs require. The strike price can be negotiated, but it is typically either the forward price associated with the option maturity date or the current spot price on the date the option contract is purchased.

Example

XYZ Company is negotiating a potentially large product sale, GBP 4.0 MM, with a British customer that would close in 90 days (t+90). Exchange rates are currently favorable for remitting GBP back into USD. XYZ Co. wants to be opportunistic with the exchange rate environment if the sale happens by protecting itself from a fall in GBP/USD, but does not want to be obligated to an FX transaction if negotiations fall apart. Also, XYZ Co. would like to maintain upside potential if exchange rates continue to move in its favor.

XYZ Co. will purchase a USD call option (GBP put option) with the following details.

XYZ Co: Buys USD/sells GBP

Amount: GBP 4.0 MM

Maturity: 90 days

Strike Price: 1.3600

Option Premium: USD 255,000 paid upfront to Square 1

Scenario 1: The sale is negotiated with the British customer for a t+90 close.

At expiry if:

GBP/USD < 1.36; XYZ Co. will exercise its right to sell GBP at the strike rate of 1.36. The status of the option is known as in-the-money (ITM). The option has protected XYZ Co. from a fall in GBP/USD.

GBP/USD > 1.36; XYZ Co. will forgo its right to sell GBP at the strike rate of 1.36 and execute a spot transaction at the prevailing market rate instead. The status of the option is known as out-of-the-money (OTM). The option has allowed XYZ Co. to capture the upside of an increase in GBP/USD.

Scenario 2: The sale falls through before maturity date of the option.

At expiry if:

GBP/USD < 1.36; with the option ITM, XYZ Co. can exercise its right to sell GBP at the strike rate of 1.36 and immediately buy the GBP back from Square 1 for a profit in a spot transaction at the prevailing market rate. XYZ Co. could also choose to sell the option itself back to Square 1 before the expiry date.

GBP/USD > 1.36; with the option OTM, XYZ Co. can forgo its right to sell GBP at the strike rate of 1.36 and let the option expire worthless.

Considerations

With a nonlinear payout, FX options are useful hedging tools that allow continued upside exposure and provide full protection at expiry from adverse exchange rate movements.

A call option is the right to buy one currency; a put option is the right to sell one currency.

FX options give the buyer the right to buy one currency and sell another. Therefore, all FX options are simultaneously a call option in one currency and a put option in another.

Spot Transactions

Spot transactions encompass the purchase or sale of currency for immediate delivery at the current market rate, with the average settlement taking two business days. Square 1 can arrange drafts or wire payments for spot delivery at competitive rates to settle a company's foreign currency payables.

How They Work

A spot FX transaction is an agreement between your company and Square 1 to exchange a specific amount of currency for another at the prevailing market exchange rate.

Physical delivery of most currencies typically occurs two days after the trade date (t+2), often known as the value date.

Example

XYZ Company purchases components from a Japanese supplier at a cost of JPY 9 million. The invoice is due in 30 days.

XYZ Co.: Buys JPY/sells USD

Amount: JPY 9.0 MM

Spot Rate: 0.01087

Two days prior to the invoice due date XYZ Co. will enter into a spot transaction with Square 1 where XYZ Co. will exchange 0.01087 USD per each JPY received. XYZ Co. will exchange USD 97,830 with Square 1 and receive JPY 9.0 MM on the value date to fulfill the invoice.

Square 1 can arrange drafts or wire payments for spot delivery at competitive rates to settle a company's foreign currency payables. As well, a company's foreign currency

receivables may be directed through our network of correspondent banks for credit to the company's U.S. dollar account.

Considerations

Easily implemented for foreign payables and receivables and remitting foreign balances.

Are typically the most liquid and transparent of all foreign exchange market tools.

Immediately translates foreign currency balances to a client's main operating currency, allowing for higher productivity uses and advantageous interest rates.

Client remains exposed to fluctuations in exchange rates from the date of realization of the foreign liability or asset until the FX spot trade date.

Window Forwards

Window forwards are contracts with a designated settlement period rather than a specific settlement date. These contracts provide the same pricing guarantee as a traditional forward contract and are mostly used when a transaction is assured, but the precise delivery date is uncertain. This allows a company the option to receive or pay in a foreign currency at any time during a 30-day period.

Trade Finance

Square 1 can help you manage risks and costs by leveraging our experience and global relationships. We can provide payment risk mitigation through export letters of credit and documentary collections, creative solutions for your unique trade needs, and enhanced vendor relationships with import letters of credit and documentary collections.

Open Account Processing

We are ready to assist you when your supplier moves you to an open account. We can help reduce the hidden costs of open account processing by reviewing documents and making payments to your supplier.

Banker's Acceptances

Whether through the terms of a letter of credit or on the basis of a trade transaction alone, Square 1 can provide financing terms to cover your trade transaction.

Letters of Credit

Standby

Square 1 can issue a Standby Letter of Credit for numerous purposes, including bid and performance bonds, advance payment/payment guarantees, lease agreements, workers' compensation, open account sales, tender offers and loan collateral.

Import

Square 1 can issue an Import Letter of Credit on your company's behalf, providing assurance that your goods will be shipped as you intended—before you pay.

Export

An Export Letter of Credit provides you as an exporter a high level of assurance that you will be paid for goods and services provided to a buyer. Square 1 can assist you in receiving payment for your goods or services.

Documentary Guarantees

In the event that you are required to issue a guarantee in a foreign country, Square 1 stands ready to assist you. By working with our dedicated partner banks, we can have a guarantee issued to fulfill your needs.

Documentary Collections

Import

When your company is dealing with a known and trusted supplier, Square 1's Import Documentary Collections offer a quick and easy way to reduce risk.

Export

Square 1's Export Documentary Collection will enable you to facilitate payment from your buyers relatively simply and cost-effectively. You maintain control over the delivery of your goods until payment or

Legal:

Customer agreement:

<https://www.square1bank.com/terms-of-use/>