

2009 OPPORTUNITY FINANCE NETWORK CONFERENCE

THE NEW NORMAL

Managing Problem Assets - Forming and Using a Problem Asset Committee

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Years of
OPPORTUNITY FINANCE

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Agenda

- What is a PAC?
- Why form a PAC?
- Who should be on a PAC?
- What should be discussed?
- How often should it meet?

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What is a PAC?

- Committee that reviews portfolio trends and problem assets at a higher level. Depending on the type of lending, PAC can also be a portfolio review committee.

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Different types for different organizations with resources and needs:

- ShoreBank Enterprises
- ACCION Chicago
- Self Help - RE Division

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ShoreBank Enterprise

- Meet on a monthly basis
- Include Chief Risk Officer (CRO), President, Head of Lending, CFO (in some cases)
- Reviews all problem assets, large watch list assets and past dues over 30 days
- Review portfolio quality report including LLR
- Review internal and external credit reports
- When economy turned, special function to overview entire portfolio

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ACCION Chicago

- Uses a Portfolio Review Committee
 - Outside credit and lending experts
 - Focus on Trends
 - Discuss/approve policy/procedures changes
 - Discuss overall collections (not specific loans)

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Self Help - RE Division

- **Asset Quality**
 - Meets quarterly
 - Lending Mgr and Loan Officers
 - Discusses Workouts
 - Statistical analysis such as SBA Lending
- **Monthly Collections Meeting**
 - Largest 20 problem assets
 - Includes collection staff
- **Quarterly Risk Ratings to Mgt/CFO**

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Questions to Ask??

- **Is there a consistent, independent review of the portfolios?**
 - Independent = someone with authority who was not involved in underwriting or approving the loan. This is a challenge.
- **Is some one or committee reviewing looking from "high up" - Portfolio Risk?**
- **Is there a PAC member that understands credit risk? And willing to ask hard questions.**
- **Should someone from finance be involved?**

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Important Points

- **Provides a 'fresh' look at problem loans.**
- **Reviews credit risk at portfolio level.**
- **Makes timely decisions regarding policies and procedures.**
- **Policing to ensure timely nonaccruals, charge-off, and realistic restructures.**

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Who should be on PAC?

- **Internal Members**
 - Head of Lending
 - Chief Credit Officers
 - Presidents
 - Finance Manager (?)
- **External**
 - Credit Specialists
 - Lending Specialists - in same geographic area

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What To Review?

- **Largest Problem Assets**
 - Steps completed
 - Risk rating appropriate
 - Collateral valuation/reserve
 - Next Steps/Sufficient followup
 - Recommendations

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What to review? (continued)

- **Trend Analysis**
 - Watch
 - Problem Assets
- **LLR Adequacy**
- **Overall Environment**
- **Policy/Procedural Changes**

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Reports/Tools

- **Problem Assets**
 - Credit Status and Action Item
 - Problem Asset Quarterly Status Report
 - Risk Rating Report
- **Portfolio Analysis**
 - Portfolio Quality Report
 - Specific Trends Report
 - Dashboard
- **Loan Loss Reserve**

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How often should the PAC meet?

- **Depends**
 - Minimum Quarterly
 - Monthly during increased delinquency
 - Bi-weekly if a crisis

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What needs to be in place so a PAC works?

- **Reliable systems/procedures**
 - Appropriate Risk Ratings which are tested and proven
- **Reliable reporting**
 - Monitoring Matrix
- **PAC member who are not afraid to ask tough questions.**
- **Use of Benchmarks**

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Quotes Regarding PAC

- "Keeps us honest."
- "No surprises."
- "Critical to our organization."
- "Important conversation...and not just about problem assets."

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ACCION Chicago
Loan Data - 3/31/09

Note - the following is balances as of 3/31/09, and gross charge-offs in the first quarter

BY TIER

Tier	Number Outstanding (and C/Os)	Dollars Disbursed	Dollars Outstanding	Average Outstanding Balance	Dollars Delinquent	Percent Delinquent	Dollars Charged Off	Percent of Outstandings at 3/31 Charged Off
1	87	\$1,190,347	\$795,571	\$9,144	\$54,420	6.8%	\$42,191	3.5%
2	37	\$356,195	\$248,470	\$6,715	\$41,270	16.6%	\$0	0.0%
3	40	\$402,563	\$282,171	\$7,054	\$13,415	4.8%	\$14,309	3.6%
4	21	\$176,573	\$136,766	\$6,513	\$34,902	25.5%	\$0	0.0%
5	12	\$82,783	\$47,063	\$3,922	\$27,051	57.5%	\$0	0.0%
6	18	\$35,542	\$20,665	\$1,148	\$1,247	6.0%	\$3,838	10.8%
None (Old Loans)	2	\$29,502	\$3,762	\$1,881	\$0	0.0%	\$0	0.0%
	217	\$2,273,506	\$1,534,467	\$7,071.28	\$172,306	11.2%	\$60,339	2.7%

BY PRODUCT

Product	Number Outstanding (and C/Os)	Dollars Disbursed	Dollars Outstanding	Average Outstanding Balance	Dollars Delinquent	Percent Delinquent	Dollars Charged Off	Percent of Outstandings at 3/31 Charged Off
Balloon (Review)	15	\$150,024	\$140,426	\$9,362	\$4,038	2.9%	\$0	0.0%
Credit Builder	29	\$59,271	\$36,718	\$1,266	\$3,562	9.7%	\$3,838	6.5%
Restructure	6	\$80,884	\$48,071	\$8,012	\$20,530	42.7%	\$0	0.0%
SBA	62	\$722,369	\$432,731	\$6,980	\$74,965	17.3%	\$14,526	2.0%
Term Loan	80	\$890,250	\$664,900	\$8,311	\$55,220	8.3%	\$7,977	0.9%
Start-up	33	\$370,708	\$211,622	\$6,413	\$14,095	6.7%	\$33,998	9.2%
	225	\$2,273,506	\$1,534,467	\$6,819.86	\$172,411	11.2%	\$60,339	2.7%

BY APPROVAL SOURCE

Product	Number Outstanding (and C/Os)	Dollars Disbursed	Dollars Outstanding	Average Outstanding Balance	Dollars Delinquent	Percent Delinquent	Dollars Charged Off	Percent of Outstandings at 3/31 Charged Off
Internal Committee	107	\$605,033	\$428,910	\$4,009	\$35,782	8.3%	\$15,441	2.6%
External Committee	94	\$1,599,085	\$1,093,036	\$11,628	\$130,202	11.9%	\$44,897	2.8%

BY UNDERWRITING SYSTEM

Product	Number Outstanding (and C/Os)	Dollars Disbursed	Dollars Outstanding	Average Outstanding Balance	Dollars Delinquent	Percent Delinquent	Dollars Charged Off	Percent of Outstandings at 3/31 Charged Off
Chicago (to 2/08)	68	\$770,415	\$449,749	\$6,614	\$147,178	32.7%	\$42,623	5.5%
Texas (post 2/08)	147	\$1,503,091	\$1,084,718	\$7,379	\$25,233	2.3%	\$17,716	1.2%

COMMERCIAL LENDING

2009 Actual & Forecast



Charge off , Delinquency & Modifications

"DASHBOARD"

Chart prepared 9/29/2009

Total Portfolio		6/30/2009		REaF \$	REAF #	TOTAL \$	TOTAL #
Branch \$	Branch#						
SHCU					15	0	15
SHVF					23	0	23
NMTC	-	0			30	0	30
Total	-	0		-	68	0	68

A. Actual CHARGE OFFS		6/30/2009		REaF \$\$\$	%	TOTAL \$\$\$	%
BRANCH \$\$\$	%	#					
SHCU		#DIV/0!		-	#DIV/0!	0	#DIV/0!
SHVF		#DIV/0!			#DIV/0!	0	#DIV/0!
NMTC	-	-		-	#DIV/0!		
Total	-	#DIV/0!	0	-	#DIV/0!	0	#DIV/0!

B. ACTUAL Recoveries - Total YTD							
		#DIV/0!		#DIV/0!		0	#DIV/0!
SHCU		#DIV/0!		#DIV/0!		0	#DIV/0!
SHVF		#DIV/0!		#DIV/0!		0	#DIV/0!
NMTC	-			#DIV/0!		0	#DIV/0!
Total	0	#DIV/0!		-	#DIV/0!	0	#DIV/0!

C. ACTUAL NET Charge offs Total YTD (A minus B)							
		#DIV/0!		#DIV/0!		0	#DIV/0!
SHCU	-	#DIV/0!		#DIV/0!		0	#DIV/0!
SHVF	-	#DIV/0!		#DIV/0!		0	#DIV/0!
NMTC				#DIV/0!		0	#DIV/0!
Total	-	#DIV/0!		-	#DIV/0!	0	#DIV/0!

D. Forecasted NET Charge offs (includes recoveries)							
		#DIV/0!	#####	#DIV/0!		0	#DIV/0!
SHCU		#DIV/0!	#####	#DIV/0!		0	#DIV/0!
SHVF		#DIV/0!	#####	#DIV/0!		0	#DIV/0!
NMTC				-	#DIV/0!	0	#DIV/0!
Total	-	#DIV/0!		-	#DIV/0!	0	#DIV/0!

E. Actual + Forecasted NET Charge offs TOTAL FYF (Full Year Forecast) (C+D)							
		#DIV/0!		#DIV/0!		0	#DIV/0!
SHCU	-	#DIV/0!		#DIV/0!		0	#DIV/0!
SHVF	-	#DIV/0!		#DIV/0!		0	#DIV/0!
NMTC	-	GOAL		-	#DIV/0!	0	#DIV/0!
Total	-	#DIV/0!		-	#DIV/0!	0	#DIV/0!

Best Possible							
		#DIV/0!		#DIV/0!		0	#DIV/0!
SHCU		#DIV/0!		#DIV/0!		0	#DIV/0!
SHVF	-	#DIV/0!		#DIV/0!		0	#DIV/0!
NMTC	-	GOAL		-	#DIV/0!	0	#DIV/0!
Total	-	#DIV/0!		-	#DIV/0!	0	#DIV/0!

DELINQUENCY (60 day +)		as of:			6/30/2009	
Branch \$	Branch%	Goal	REAF \$	REAF %	Goal	TOTAL \$
SHCU		#DIV/0!		#DIV/0!		0
SHVF		#DIV/0!		#DIV/0!		0
NMTC	-	0.0%		-	#DIV/0!	0
Total	-	#DIV/0!		-	#DIV/0!	0

Commercial Loan Modifications as of: 6/30/2009

Modifications YTD:		6/30/2009	
	#		\$\$\$\$
SHCU			
SHVF			
Total	0		\$0

Total under mod *		6/30/2009	
	#		\$\$\$\$
SHCU			
SHVF			
Total	0		\$0

Collateral & interest rate changes YTD			
	#		\$\$\$\$
SHCU			
SHVF			
Total	0		\$0

SBA SHCU loans		(approx)	
Total \$			
C/O Act	-	#DIV/0!	
C/O FYF	-	#DIV/0!	

SBA Delinquency		60 day +	
			#DIV/0!

Total	0		\$0
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SBA Charge offs if total loan balance	#DIV/0!
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Loan Monitoring Matrix

Unless Credit Committee or Risk Management requires more frequent monitoring

Loan Size		Credit Grade 4	5	6	7
< \$50m	F/S requirements*	Borrower submits semi annual or quarterly financials	Copy of Income Taxes, business and personal, within 180 days of FYE	Copy of Income Taxes, business and personal, within 180 days of FYE	Copy of Income Taxes, business and personal, within 180 days of FYE
	Lender Review	Review Annually- Notes on F/S	Lender reviews tax returns, Notes on returns	Monthly update in PQR and Special Assets Committee	Monthly update in PQR and Special Assets Committee
	Risk Manager Review	Annual Risk Rating Review	Rating based solely upon receipt of tax returns and payment history	Monthly update in PQR and Special Assets Committee	Monthly update in PQR and Special Assets Committee
	Additional			Upgrade, Work Out or Payoff Plan	Work Out, Payoff or Liquidation plan
	Site Visits	none required	none required	As Directed by Special Assets Committee	As Directed by Special Assets Committee
	Customer Contact	Annually	Semi-annually	Based upon Upgrade, Work Out or Payoff plan	Based upon Work Out, Payoff or Liquidation plan
	Other			Upon downgrade pull new Credit Report, lien search, double check closing documents	
\$50m < > \$250m	F/S requirements*	F/S Semi annual or quarterly	F/S Quarterly	F/S Quarterly or monthly	F/S Quarterly or monthly
	Lender Review	Review Annually - Notes on F/S	Review Quarterly - Short Form	Based upon Upgrade, Work Out or Payoff Plan	Based upon Work Out, Payoff or Liquidation plan
	Risk Manager Review	Semi - Annual Risk Rating Review	Semi - Annual Risk Rating Review	Monthly update in PQR and Special Assets Committee	Monthly update in PQR and Special Assets Committee
	Additional			Upgrade, Work Out or Payoff Plan	Work Out, Payoff or Liquidation plan
	Site Visits	none required	Annually	As Directed by Special Assets Committee	As Directed by Special Assets Committee
	Customer Contact	Annually	Semi-annually	Based upon Upgrade, Work Out or Payoff plan	Based upon Work Out, Payoff or Liquidation plan
	Other			Upon downgrade pull new Credit Report, lien search, double check closing documents	Negotiate Forbearance Agreement if any change in terms necessary
> \$250m	F/S requirements*	F/S Semi annual or quarterly	F/S Quarterly or monthly	F/S Quarterly or monthly	F/S Quarterly or monthly
	Lender Review	Review Quarterly or Semi-annually - Notes on F/S	Review - Annual Review and Quarterly - Short Form	Based upon Upgrade, Work Out or Payoff plan	Based upon Work Out, Payoff or Liquidation plan
	Risk Manager Review	Annual Risk Rating Review	Quarterly Risk Rating Review	Monthly update in PQR and Special Assets Committee	Monthly update in PQR and Special Assets Committee
	Additional			Upgrade, Work Out or Payoff Plan	Work Out, Payoff or Liquidation plan
	Site Visits	none required	Annually	As Directed by Special Assets Committee	As Directed by Special Assets Committee
	Customer Contact	Annually	Semi-annually	Based upon Upgrade, Work Out or Payoff plan	Based upon Work Out, Payoff or Liquidation plan
	Other			Pull new Credit Report, lien search, double check closing documents	Negotiate Forbearance Agreement if any change in terms necessary

* Loans where NPLI is financing current assets, the borrower should submit monthly statements along with monthly A/R and A/P agings and inventory reports (where appropriate). Start ups should submit monthly statements for at least the first year of the loan.

In all cases, annual tax returns on the business and guarantors are required.

When a loan is downgraded to the Problem list collateral adequacy will be reviewed regularly, and at least annually, credit checks, tax lien and judgment searches will be conducted.

Notes on financials: calculate DSCR, Debt:Worth, Working Capital and Current Ratio; briefly mention trends or explain unusual items.

Quarterly Portfolio Quality Narrative

Date _____

Overview

The outstanding balance at _____ was \$_____ compared to \$_____ at _____. The delinquency rate was _____% compared to _____% at _____ with _____ loans past due plus _____ program loans. During the _____ quarter _____ loans (names) were charged off; staff will follow up on collection action on these credits.

In the _____ quarter, Criticized Assets which includes both Problem and Watch List credits, decreased from _____% on _____ to _____% at _____. Even though _____, there has been significant turnover in the Criticized portfolio. Since FYE _____: _____ loans on the Watch list were upgraded, _____ loans paid off/down (_____ of which was a Problem Asset), _____ Problem assets were charged off; there are _____ new loans on the Watch List and _____ borrowers on the Watch List @ _____ received additional financing from _____ – details on these credits is provided later in this report. Below is a synopsis of the changes:

Paid Off	Upgraded	Charged-off
\$	\$	\$
%	%	%
Total Reductions =		\$
Total Increases =		\$

The historical portfolio quality trends are presented in the charts below. Staff has instituted several steps address the elevated Classified Assets; these steps include

- _____
- _____
- _____
- increasing attention on receiving regular financial statements and
- preparing work up (the risk rating scale) or work it out plans for Classified Assets.

Trend Analysis	Date	<i>Trends monthly, quarterly and along with the pa</i>			
Total Problem Assets		\$0	\$0	\$0	\$0
Total Watch List Assets		\$0	\$0	\$0	\$0
Total Criticized Assets (\$)		\$0	\$0	\$0	\$0
% of O/S as Problem Assets		0.00%	0.00%	0.00%	0.00%
% of O/S as Watch List Assets		0.00%	0.00%	0.00%	0.00%
% Total Criticized Assets		0.00%	0.00%	0.00%	0.00%
Total O/S \$ in Portfolio		\$0	\$0	\$0	\$0
Past Due (31+)		0.00%	0.00%	0.00%	0.00%
Total Non-Performing Assets (91+) + REO		0.00%	0.00%	0.00%	0.00%

Past Due Loans

Name	Loan Number	Risk Rating	Past Due 1 - 30 Days	Past Due 31 - 60 Days	Past Due 61 - 90 Days	Past Due 91 - 120 Days	Past Due 121+ Days	Total Past Due	Past Due Days	Principal Balance
			\$0	\$0	\$0	\$0	\$0	\$0		\$0
Total Past Due 31+ Days:								\$0		
Program Past Dues:										
			\$0	\$0	\$0	\$0	\$0	\$0		

Details on Past Dues over \$____ or 90 days:

Details on large (over \$100,000) Watch and Problem Credits

Problem and Watch List		1/0/1900						
Name	NonAccrual (NA) Default (D)	Risk Rating Code	Loan Amount	Principal	Status	Collateral Coverage	Exposure	
				\$0			\$0	
Total Outstanding Program Loans =			\$0				\$0	
Program Criticized Assets:		6 & 7		\$0			\$0	
Total Classified Assets =				\$0		Total Exposure =	\$0	

Details on Problem and Watch List loan over \$____:

Overview of Risks in the Portfolio

Trends in Average loan size: discussion on average and median loan sizes, with and w/o program loans.

Insert table

Borrowers constituting the top 10 relationships totaled ____% of the total portfolio, ____ from ____% at FYE _____. However, _____.

Relationships over \$500,000 (Top 10)						
Name	Current Risk Rating	Relationship Amount	% of O/S @ Date	Grade @ Origination	Origination Date	
			\$0	0.00%		

Industry Concentrations: Portfolio Concentrations are calculated based on the industry sectors monitored as shown in the following chart. The sectors are assigned based on the source of revenue; for community development, it is based on the purpose of the loan. The only significant concentration is _____

Insert table

Concentrations – Geographical

The portfolio _____. Below is an analysis of concentrations by county.

Insert table

Within the geographical concentration, real estate backed loans (\$_____ million) are also concentrated: _____ - \$_____ and _____ county - \$_____.

Conclusion

The following customers hit several of the risk factors analyzed – size, geographical, collateral:

Insert table

Several of these accounts are on the Watch or Problem Lists so are monitored at least monthly for performance against benchmarks (_____).

Effect of Economy

Loan Loss Reserve Adequacy

The expected loss is determined on each Problem and Watch List asset to ensure that the Loan Loss Reserve (LLR) is adequate. As _____, the Loan Loss Reserves on the financials of \$_____ is considered adequate.

Historic loss Analysis

Losses have seen _____. Some of which is due to _____. Lessons learned on _____ will be provided below. At this point, _____ charge-offs are anticipated in the near future.

Insert trend chart

Summary of Charge-off Loans in Recovery:

Lessons Learned

What we’ve learned from recent charge offs:

Litigation

PROBLEM LOAN QUARTERLY STATUS REPORT

TODAY'S DATE: October 5, 2004

BORROWER: XXX

TYPES BUSINESS: manufacturer

OFFICER: ZZ

ORIGINAL DATE OF CLASSIFICATION: 12/10/2001

FACILITY TYPE	COMMITTED OUTSTANDING	RISK GRADE	ACCRUAL STATUS	RESERVE	C/O PAST ALLOCATION
DUE					
(1) Term Loan	\$450,000/\$272,431	6	nonaccrual		-0-
(2)					
(3)					

TERMS OF REPAYMENT	COLLATERAL DESCRIPTION	SOURCE AND DATE OF VALUATION	VALUE
\$7,357 (Approx) monthly P&I,	Commercial Real Estate	12/31/03	\$3,400,000
	Equipment	7/31/04	\$2,032,868
	Inventory	7/31/04	\$1,228,382
	A/R	7/31/04	\$1,207,843
	Personal RE	4/30/2003	\$ 300,000

TOTAL DEBT SECURED BY ABOVE COLLATERAL:

Senior Debt HNB \$4,115,000
 Sub Debt SBG \$ 272,431

TOTAL COLLATERAL VALUE:

See chart below

RELATED LOANS AT THIS BANK: N/A

FINANCIAL REVIEW:

XYZ reduced the risk rating to 6 in December 2001 and placed the company on non-accrual in August 2002 after the previous senior lender, BAN put XYZ on standby payments. This happened when the company began to experience cash flow problems. In coordination with a forbearance agreement between BANK and the company, XYZ was taken off of standby. The company signed a forbearance agreement with XYZ Capital on February 12, 2002 in exchange for removing the company from default to help them raise outside capital from private investors. XXX has remained current on the payments, including a negotiated \$1,000 additional per month payment to catch the company up with past due payments. The company caught up on the missed payments totaling \$17,677 through the additional \$1,000 payments in April 2003. The company is now current on its payments due to XYZ Capital. All of the payments (except for \$6,000 for legal fees) have been applied to the principal balance since the company is on non-accrual, leaving the current principal balance at \$169,384 as of September 30, 2004. (The accrual basis that they are obligated to is \$272,431).

BANK B agreed to a \$5.1 million financing takeout of BANK's \$3.7 million loan and providing additional working capital for the Berea-based manufacturer of exhaust systems for cars and boats. We agreed to re-subordinate our \$300,000 XYZ loan behind BANK B in exchange for taking a second lien on a the personal property (vacation home) owned by Mr. and Mrs. ABC at Marblehead. In short, with the BANK B refinancing, the company will no longer be in a work-out situation with its senior lender and will have sufficient access to capital to fuel expected growth. In addition, XXX has paid XYZ as agreed consistently for the past two consecutive years.

The refinancing with BANK B, puts the company in a better position, and with the additional collateral secured by XYZ, XYZ Capital is in a better risk position with the company. XXX put together a projected 2004 budget. Management continues to place emphasis on growing sales. The company grew more than 20% in 2003, finishing the year with \$12 million in sales, slightly ahead of the \$11.6 million projections. They project an increase in sales of 40% to \$17MM, primarily in auto sales. They have been experiencing growth potential primarily with their catalog sales with GM dealers. While sales opportunities continue, the company still struggles with managing gross profit margins and thus bottom line numbers and cash flow.

BANK B has placed covenants in the loan agreements with XXX that address this issue. Using an EBITDA calculation, XXX must show a 1.2x Fixed Charge Coverage Ratio based on a rolling four quarter average. As of 6/30/04 the senior lender has confirmed the company is in compliance.

Cash flow remains a concern as the gross margin has not improved. In fact, at 7/31/04 gross profit is nearly 10% below plan at 23.74% versus a target of 33.36% and cash flow is negative at \$218k for the year. A full analysis of the company will be completed upon receipt of the 9/30/04 financials.

Operations**Rating 5****Historical Cash Flow**

Detailed FAS 95 Stmt of Cash Flows (Indirect)				
Statement Date	12/31/2001	12/31/2002	12/31/2003	3/31/2004
Months Covered	12	12	12	3
<u>Stmt Type</u>	<u>Annual</u>	<u>Annual</u>	<u>Annual</u>	<u>Quarterly</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net Income	-1,384,725	-342,960	225,544	-195,039
Reconciling Items				
Depreciation/Amortization	493,417	438,081	418,485	108,891
Non-Cash Income Restate of Depr for Prior Yrs	-	-	-328,175	-
Gain(Loss) on Asset Sale	-	-	-	-
Chg in Accts/Notes Rec-Trade	-11,661	-125,898	-359,304	-244,146
Chg in Inventory	421,089	-595,074	250,136	-14,103
Chg in Prepaids/Deferreds - CP	-98,657	99,177	-15,867	23,402
Chg in Accounts Payable-Trade	266,042	92,517	114,473	293,330
Chg in Accrued Expenses	179,508	278,329	-184,821	40,408
All other adjustments	<u>143,257</u>	<u>58,950</u>	<u>97,813</u>	<u>33,955</u>
Total Adjustments	<u>1,392,995</u>	<u>246,082</u>	<u>-7,260</u>	<u>241,737</u>
NET CASH PROVIDED				
<u>BY OPERATIONS</u>	<u>8,270</u>	<u>-96,878</u>	<u>218,284</u>	<u>46,698</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
	-300,869	-223,331	-617,466	-331,963
CASH FLOWS FROM FINANCING ACTIVITIES:				
Chg in ST Loans Payable-Bank	-	723,384	160,254	-65,081
Chg in CPLTD-Bank	1,699,965	-1,076,892	-536,524	-1,312,667
Chg in Long Term Debt	<u>-1,534,970</u>	<u>446,252</u>	<u>488,287</u>	<u>1,400,300</u>
Net Chg in Borrowings	164,995	92,744	112,017	22,552
Chg in Non-Op Non-Cur Liabs	-	-	-	-1
Unexplained Adj to Retained Earnings	-	-	-1	10,892
Chg In Common Stock	-	-	-	-500
Chg In Paid In Capital	-	221,635	101,750	80,168
Non-Cash Income Restate of Depr for Prior Yrs	-	-	<u>328,175</u>	-
NET CASH PROV BY FINANCING	164,995	314,379	541,941	113,111
CHANGE IN CASH & EQUIV.	-127,604	-5,830	142,759	-172,154
Add:				
Cash	<u>170,556</u>	<u>42,952</u>	<u>37,122</u>	<u>179,881</u>
<u>CASH AND EQUIVALENTS AT EOP</u>	<u>42,952</u>	<u>37,122</u>	<u>179,881</u>	<u>7,727</u>

Note: Our copies of the 6/30/2004 statements appear to have been lost in the mail. BANK B has received them and provided us with assurance the company is still in compliance with all covenants. We are continuing to work with the company to improve the flow of information.

Financial Condition**Rating 5**

The company's balance sheet has improved with the refinance as the CPLTD was reduced when the loans were removed from default rating. The current ratio, while still less than 1.0x, is improving. At 7/31/04, the current ratio was approximately .88x, up from .74x at 3/31/04 and 0.58x at 11/30/03 and 0.50x at 11/30/02. The borrower's cash situation continues to be low at (218,210) at 7/31/04 compared to \$7,727 at 3/31/04. Over the past two years, the company has also improved its balance sheet by getting investors to inject capital through shareholder convertible debt notes. Thus while the net worth appears to be negative (see below), this subordinated debt provides equity like cushion. This is an important note particular to BANK B's net worth covenant. The covenant adds back subordinated debt.

The inventory ratios have also improved over the past 12-18 months. At 9/30/03, the loan reviewers noted that the borrower had twice the amount of inventory as accounts receivable. At 11/30/03, the ratio improved to 1:1, which is similar to what RMA reports as the industry average. As of the end of July the ratio was 1.02x. Inventory turnover has improved from 3.89x at 11/30/02 to 6.31x

at 11/30/03. The improvements can be attributed to the borrower's purchase of a new Material Requirements Planning (MRP) software for manufacturing.

December 31, 2003		July 31, 2004	
Assets	Value		Value
Cash & Equiv	\$ 179,881		\$ (218,209)
Accts Rec	912,609		1,207,843
Inventory	1,057,186		1,228,382
Prepays	40,512		16,067
Plant & Equip	1,063,178		1,348,837
Other	374,599		635,522
Total Assets	\$ 3,627,965		\$ 4,218,442
Liability	Value		Value
Line of Credit	\$ 883,638		\$ 984,703
CPLTD	1,312,667		
Accounts Payable	1,109,617		1,083,481
Accrued Expenses	336,005		479,719
Other	154,749		
Long Term Debt	1,091,988		2,888,346
Total Liability	4,888,664		5,436,249

Collateral

Rating

4

As of 7/31/2004

Collateral	Market Value	Discount	Liquidation Value
Building	3,400,000	80%	2,720,000
Equipment (book value)	1,348,837	25%	337,209
Inventory	1,228,382	35%	429,934
A/R	1,207,843	80%	966,274
Collateral Value			4,453,417
Senior Debt (HNB)			4,115,000
Busi. Collater after Sr.			338,417
Additional Collateral (SBG)			
Marblehead Property	400,000	75%	300,000
Sr. Mortgage Holder (as of 4/2003)			223,500
			76,500
ShoreBridge Principal			272,431
Total Avail. Collateral (SBG)			414,917
Collateral Coverage			1.52

RATIONALE FOR CLASSIFICATION CONCERN:

Although the company is current and in compliance with all its covenants, gross margins have not improved and in fact, show some signs of deterioration. It is too early to tell if this is a cyclical condition or more systemic. Until margins improve, cash flow to service debt will be strained. Therefore, the company remains on non-accrual with a risk rating of 6.

ACTIVITY SINCE LAST REPORT:

Since the last Asset Quality Review in July, we have amended our loan covenants to match those of the new senior lender. The new loan officer has met with the controller once and plans to have an in-depth meeting during the fourth quarter to analyze the inventory and gross margin risks.

ACTION PLAN:

We will watch the margin situation carefully.

ESTIMATED LOSS EXPOSURE (INCLUDE DISCUSSION OF LIKELY CASE AND WORST CASE SCENARIOS)

At this time no loss is anticipated. Our non-accrual exposure is \$169,384 with collateral coverage of 2.45x. In a liquidation scenario, XYZ should be able to fully recover the non-accrual outstanding.

Account Officer

Date

Approved by

Date

LOAN SUMMARY SHEET

General Information	
Borrower:	#REF!
Loan #:	123456
LM Group	EMLP, NMTC
Lender	SH Credit Union
Loan Officer:	John Shanley
Loan Underwriter:	Brian Schneiderman
Short Name:	Main Street Phoenix
Loan Purpose:	The loan will provide new-markets enhance permanent financing to a downtown, mixed-use, redevelopment project that will help revitalize Anytown's central business district.
Project Add (St/City/Zip)	#REF!
County	
State	
Correspondance Add:	222 anytown Ave., Suite 205, Anytown, 28222
State	NC
Contact General	Jim Doe
Phone:	
Fax:	
Email:	
Contact Financial	
Phone:	
Fax:	
E-mail	
Outside Accounting firm?	
Financial	
Total Project Cost	\$2,443,303
Equity Injection (amt.)	\$102,658
Other Sources (name and amt)	HTC: 500,000 HUD/City: 250,000 Other: 90,645
Uses of Funds	Working capital: \$394,719 Pay off Third National Bank: \$1,085,681 Pay city: \$19,600
DSCR	1.31
LTV at closing	75%
Collateral Exposure	0
Risk Rating at closing	

Loan Detail	
Note Date	12/11/2006
Original Loan Amount	\$ 1,500,000
Days in month/ year	30 / 360
Term (mo)	84
Maturity Date	12/10/2013
Origination/commitment fee	1% / \$5,000
Payment	
Late Charge/days trigger	4% / 15 days
Due Date of First Payment	2/1/2007
IO or P&I	IO for 12 months
Conversion Date for P&I	1/1/2008
Initial Monthly Payment	
ACH [Y/N]	yes
Interest	
Initial Interest Rate	6.54%
Initial Index + %	7-year treasury + _%
Initial Fixed/Variable	fixed
Rate adjustment period or date	N/A
System set to "Ream" at adjustment?	N/A
New interest at conversion	N/A
Buffer Rate	none
Buffer Threshold Rate	N/A
Guarantors (ind/gov, \$amount)	Jim, Joe, Jane
Collateral	
Collateral type -highest value (RE, equip..)	RE
Appraised/market value of above	\$ 2,600,000
Lien position (1st, 2nd, other)	1st
Reserve Accounts	none
Other	
Amortization Period (mo.):	240
Prepayment Prohibition	pp prohibited for the entire term
Last Financial report	
Fiscal Year End	31-Dec
Disbursement requirements	1,3m at closing, and 200K at stabilization*

Notes
 * stabilization defined as : DSC of 1.15 on all debt for 3 months

Ticklers	Expiration Date	Item
balloon	12/10/2013	
P&I	1/1/2008	



	A	B	C	D	E	F	G	H
1	Company Name Credit Status and Action Items			ACTION ITEMS		date	Preparer:	
2	Borrower:	Underlying Problem	Strategy/Action Items	When will loan be moved	Status Report	Action Items	Responsible	Due date
3	Past Due List							
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15	Watch and Problem List							
16								
17								
18								
19								
20								
21								
22								
23								
24								
25								
26								
27								
28								
29								
30								
31								
32								
33								
34	Charged off Loans in Recovery							
35								
36								
37								
38								
39								
40								
41								
42								

	A	B	C	D	E	F	G	H	I	J	K	L	
1	Company Name												
2	Criticized Asset and Loan Loss Reserve Adequacy Report												
3	Prepared by:												
4	Date												
5	Trend Analysis Date <i>Trends monthly, quarterly and along with the past few years</i>												
6	Total Problem Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
7	Total Watch List Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
8	Total Criticized Assets (\$)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
9	% of O/S as Problem Assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
10	% of O/S as Watch List Assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
11	% Total Criticized Assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
12													
13	Total O/S \$ in Portfolio	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
14													
15	Past Due (31+)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
16	Total Non-Performing Assets (91+) + REO	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
17													
18	Loan Loss Reserve Adequacy Analysis												
19			Minimum	\$0	0.00% < Board established							Net	
20			Adjusted Minimum*	\$0	0.00%					Outstanding		Charge Off	
21	3 year average Historic Loan Losses (Net) X Non Criticized Portfolio*			\$0	0.00%					2006	\$0	\$0	0.00%
22	*net gov't guaranteed portion of loans									2007	\$0	\$0	0.00%
23	Exposure Analysis (special programs)			\$0	0.00%					2008	\$0	\$0	0.00%
24										Current Year - 2009	\$0	\$0	0.00% < thru _____
25													
26	Recommended LLR			\$0	0.00%					3 yr Charge-off Rate (06 - 09)			0.00% < thru _____
27										Portfolio not criticized			\$0
28	LLR on Financials: Date	\$0	LLR Inadequacy	\$0						Gov't Guaranteed Portion of loans			\$0 no reserve
29	^ to double check Finance and Portfolio are communicating									Net for LLR Calculation - Non Criticized Portfolio			\$0
30													
31	Risk Ratings by Grade												
32	Total Classified Assets = \$0												
33	Below Average												
34	Date < Current Period	Risk	Average Risk	Watch List	Problem Asset								
35	Risk Rating	4	5	6	7								
36	Total Outstanding	\$0	\$0	\$0	\$0							\$0	
37	% of O/S	0.00%	0.00%	0.00%	0.00%								
38	Date < Prior Period												
39	Risk Rating	4	5	6	7								
40	Total Outstanding	\$0	\$0	\$0	\$0							\$0	
41	% of O/S	0.00%	0.00%	0.00%	0.00%								
42													
43	Date < Prior Period												
44	Risk Rating	4	5	6	7								
45	Total Outstanding	\$0	\$0	\$0	\$0							\$0	
46	% of O/S	0.00%	0.00%	0.00%	0.00%								
47													
48	Name	Loan Number	Risk Rating	Past Due 1 - 30 Days	Past Due 31 - 60 Days	Past Due 61 - 90 Days	Past Due 91 - 120 Days	Past Due 121+ Days	Total Past Due	Past Due Days	Principal Balance		
49													
50													
51													
52				\$0	\$0	\$0	\$0	\$0				\$0	
53				Total Past Due 31+ Days:					\$0				
54	Program Past Dues:												
55													
56				\$0	\$0	\$0	\$0	\$0	\$0	\$0			
57													
58	Historic Past Due Analysis	Date	Date	Date	Date	Date	Date	Date	Date	Date	Date	Date	

	A	B	C	D	E	F	G	H	I	J	K	L
59			# Principal o/s		# Principal o/s		# Principal o/s		# Principal o/s			
60	31 to 60	0	\$0	0	\$0	0	\$0	0	\$0			
61	61 to 89	0	\$0	0	\$0	0	\$0	0	\$0			
62	90 +	<u>0</u>	<u>\$0</u>	<u>0</u>	<u>\$0</u>	<u>0</u>	<u>\$0</u>	<u>0</u>	<u>\$0</u>			
63	Total	0	\$0	0	\$0	0	\$0	0	\$0			
64	Total Past Due % >		0.00%		0.00%		0.00%		0.00%			

	A	B	C	D	E	F	G	H	I	J	K	L
65	Problem and Watch List		1/0/1900									
66	Name	NonAccrual (NA) Default (D)	Risk Rating Code	Loan Amount	Principal	Status	Collateral Coverage	Exposure	Collateral Description			
67												
68												
69												
70												
71												
72												
73					\$0			\$0				
74												
75	Total Outstanding Program Loans =		\$0									
76		Program Criticized Assets:	6 & 7		\$0			\$0				
77												
78												
79			Total Classified Assets =		\$0		Total Exposure =	\$0				
80												
81	Relationships over \$500,000 (Top 10)							Major Changes in Classified Assets:				
82		Current	Relationship	% of O/S @	Grade @	Origination						
83	Name	Risk Rating	Amount	Date	Origination	Date						
84												
85												
86												
87												
88												
89			\$0	0.00%								
90												
91	Charged-off Loans in Recovery		Amount Charged Off	Current Principal O/S	Date Last Paid	Amount Paid	Officer	Status				
92	RLF:											
93												
94												
95												
96			\$0	\$0								
97												
98												
99	Program:											
100												
101												
102			\$0	\$0								
103												
104	Term Loans Approved, Not Closed											
105	<i>(amounts over \$400,000)</i>		Risk Rating	Commitment								
106												
107												
108				\$0								
109												
110	Unfunded Commitments or LOC over \$100,000							LLR Unfunded				
111		Risk Rating	Commitment	Outstanding	Available	Commitment						
112												
113												
114												
115			\$0	0	\$0	\$0						
116												
117	Off Balance Sheet:		4	5	6	7						
118	Program Name	\$0	\$0	\$0	\$0	\$0						
119												
120	Program Name	\$0	\$0	\$0	\$0	\$0						
121												
122												
123												

	A	B	C	D	E	F	G	H	I	J	K	L	
124	Total Funds Under Management												
125	Total Outstanding by Grade	\$0	\$0	\$0	\$0	\$0							
126		0.00%	0.00%	0.00%	0.00%	0%							
127													

Notes on the Financials: include a calculation of debt service coverage, debt/worth or equity position, working capital position, comments or indication on trends compared to the prior year or the most recent year end.

Short Form Analysis

Balance Sheet	Period 1	Period 2					Period 1	Period 2
Cash			Indirect Cash Flow			Rev		
Total	-	-	Net Profit	-		Op Exp	#DIV/0!	#DIV/0!
Fixed Depr			Depreciation	-		EBITDA	\$0 #DIV/0!	\$0 #DIV/0!
Other Assets			Change in Contracts Payabl	-		Depreciation Exp	#DIV/0!	#DIV/0!
Total Assets	-	-	Change in Oper. Cash	-		Interest Exp	#DIV/0!	#DIV/0!
Credit Cards			Change In Investing	-		Other Income/(Expenses)	#DIV/0!	#DIV/0!
Notes Payable			Change in Financing	-		Net Income	\$0 #DIV/0!	\$0 #DIV/0!
Contract Payable			Net Change in Cash	-		YTD Debt Service		
Total Liab.	-	-	Beg	-		Subordinate Seller Note		
Net Worth	-	-	End	-		Total	0	0
Total	-	-	BS Change	-		Cash flow for Debt Servic	\$0	\$0
			Diff	-		Senior Debt Service	#DIV/0!	#DIV/0!
						Total Debt Service	#DIV/0!	#DIV/0!

The Short Form (above) or *WebEquity*[®] will Balance Sheet, Income Statement and Repayment Capacity trends supplemented by an Indirect Cash Flow Analysis. Tell tale sign that something is amiss with the statements that the change in equity does not mesh with the profit(loss) and/or the cash doesn't reconcile.

Recent customer contact: Comments or indication on trends compared to the prior year or the most recent year end and a few notes about management. Brief discussion of where the borrower is relative to expectations when the loan was made.

Indicate support for current Risk Rating or recommend change.

Annual Review

Financials spread in *Webequity*[®] and placed in the file. Brief discussion of where the borrower is relative to expectations when the loan was made.

Supply narrative comments on the following changes and trends since the last update and conclude with a justification to maintain or change in the current Risk Rating:

1. Margins and Cash Flow
2. Balance sheet strength and ratio analyses (Current, Quick, debt/worth or equity; A/R, A/P & Inv turns, contingent liabilities, unused lines of credit and increases in personal debt)
3. Management or direct borrowers (include credit bureau scores)
4. Collateral and other secondary/tertiary sources of repayment
5. Industry/Market/Competitive Factors
6. Ability to produce adequate and timely financials

Indicate support for current Risk Rating or recommend change.

Portfolio Quality Committee

The Portfolio Quality Committee/Special Assets Committee (PQC/SAC) should be comprised of the at least the Risk and Compliance Manager and the Loan Fund Manager. The purpose of the PQC/SAC is to ensure that all parties with a responsibility for Credit Quality (the Risk and Compliance Manager (RCM), the President, the Controller/COFO, Loan Fund Manager) understand the specifics of the risks in the portfolio and ensure that those risks are being effectively managed and reported. Functions of the PQC/SAC include:

- a. Review the results of the Loan Reviews prepared by the RCM and CRMD's Annual Loan Review. Recommend and implement changes in process or procedure as necessary to improve portfolio quality.
- b. Review the Portfolio Quality Report at least quarterly. Propose and implement specific steps to improve credit quality if past dues, criticized assets or charge-off rates exceed policy or are trending upward.
- c. Review all the Watch and Problem Listed loans, propose and implement specific steps for each criticized asset to work it up in the risk ratings or work it out by trying to get it paid off.
- d. Review all past dues and propose and implement specific steps for each past due account to get the borrower to bring the account current.
- e. Review and approve placing loans on non-accrual or charging it off; report action to the highest level approving body.

Real Estate Lending Rat Perm

Collateral/ Exposure		Input			STRONG 1
Criteria	Weight	value	score	sub- total score	
36%					
1 Collateral gap/loan % (current)	10%	0	1	1	<0%
2 Collateral gap \$ (current)	10%	0	1	1	<0K
3 LTV (current)	6%	0%	2	2	<65%
4 Credit quality of guarantors	10%	Personal	3	3	Institutional/Cash > 70% of gap based on direct resources

Probability of Default/Incidence					
Criteria	Weight	value	score	sub- total score	STRONG 1
Capacity to repay					
45%					
1 Liquidity and coverage	<u>15%</u>				
Actual DSCR (2006)	15%	<1	5	5	>1.30
2 Revenue factors	<u>16%</u>				
Lease %	5%	70%	4	4	95-100%
Projected DSCR with stabilization	4%	0.99	5	5	>1.30
tenant risk (% credit tenant, tenant concentration, financial strength)	3%		3	3	very strong
Competitive position of project (site layout, visibility, architecture, marketability, utilities, competing projects)	3%		3	3	very strong
avg lease term (weighted by sqft)	1%			3	>loan term
3 Secondary sources of cash- Developer/guarantor's ability to subsidize, reserves, etc.	<u>10%</u>		3	3	very strong
4 Payment performance with SH	<u>4%</u>		3	3	all on-time payments > 3 yrs
Character /Management					
5%					
1 Developer/owner experience, reputation and skills	3%		2	2	very strong
2 Observed condition of property	2%		2	2	very strong
Conditions					
11%					
1 Geography/market risk (the weaker of the AMI & poverty measure)	<u>5%</u>	9% P:21.5	4	4	>115% AMI <5 % poverty

2 Loan Characteristics	6%				
if balloon: sources of refi	2%			3	no balloon or refi by Self-Help
Var/fixed	2%	fixed	1	1	fixed for entire term
Remaining term (mo.s)	2%		4	4	<12
Capital	3%			3	
1 Equity/Project Cost %	1%	29%	1	1	>20%
2 Borrower's cash/Project Cost %	2%	4%	5	5	>15%

Score

3.67

Probability of Default

Expected Loss

\$ -

Rating

2.97



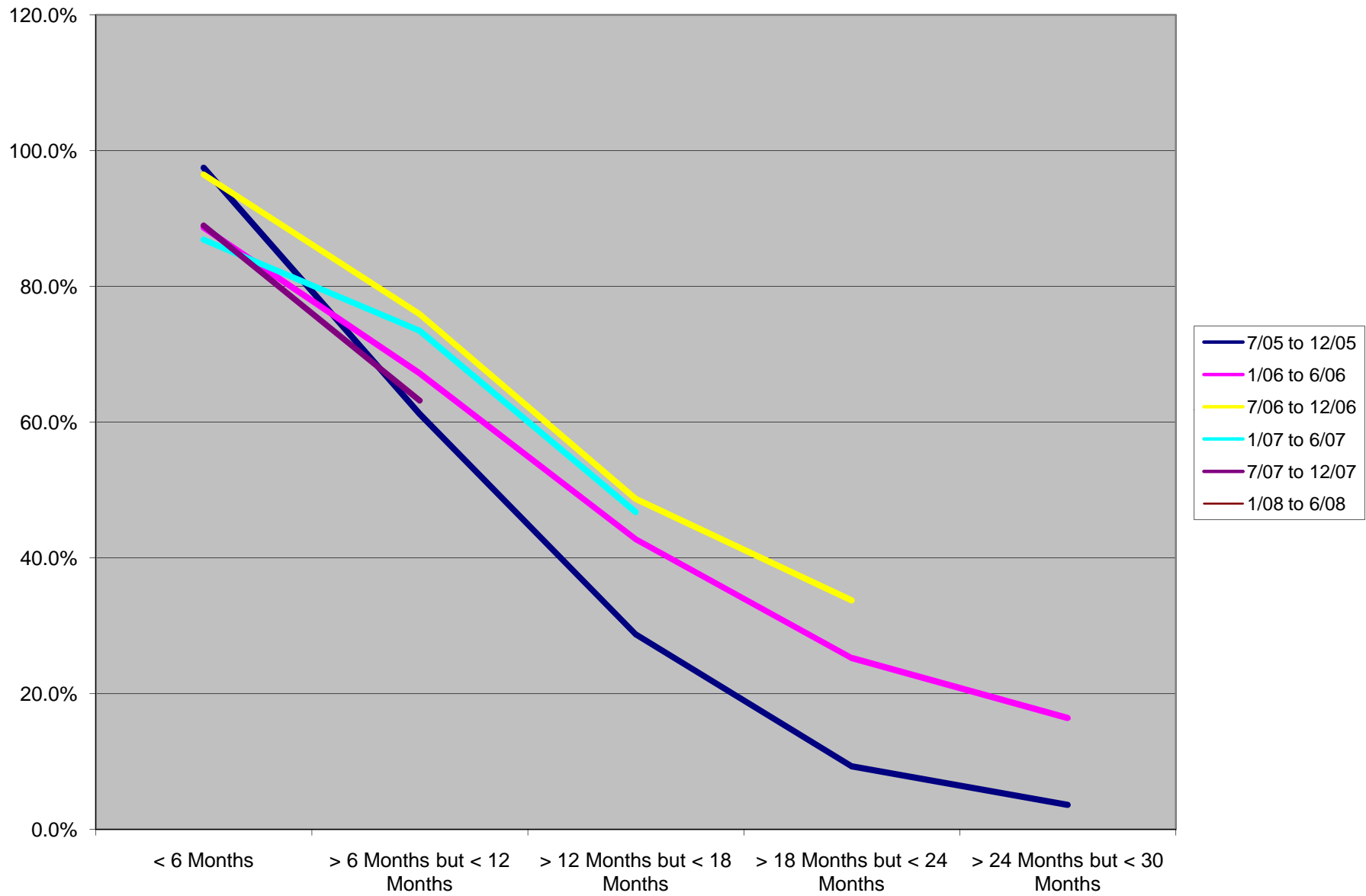
Scoring Guide

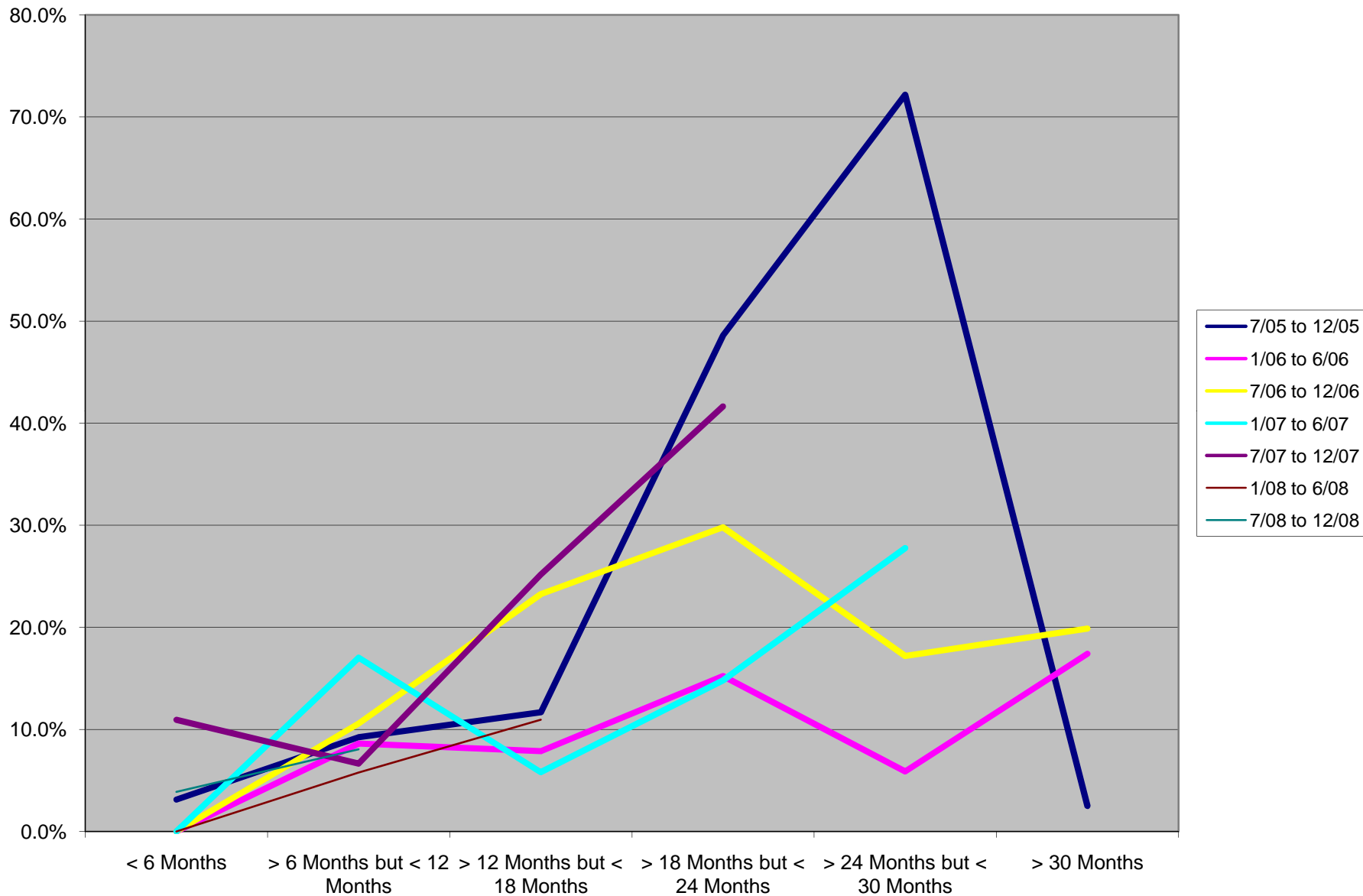
Scoring Guide			
2	AVERAGE 3	4	WEAK 5
0-5%	5 - 10%	10-15%	>=15%
\$0-50K	\$50K-100K	\$100-150K	>\$150K
65-70%	70-75%	75-80%	>80%
Strong personal	Average personal	Weak personal	none

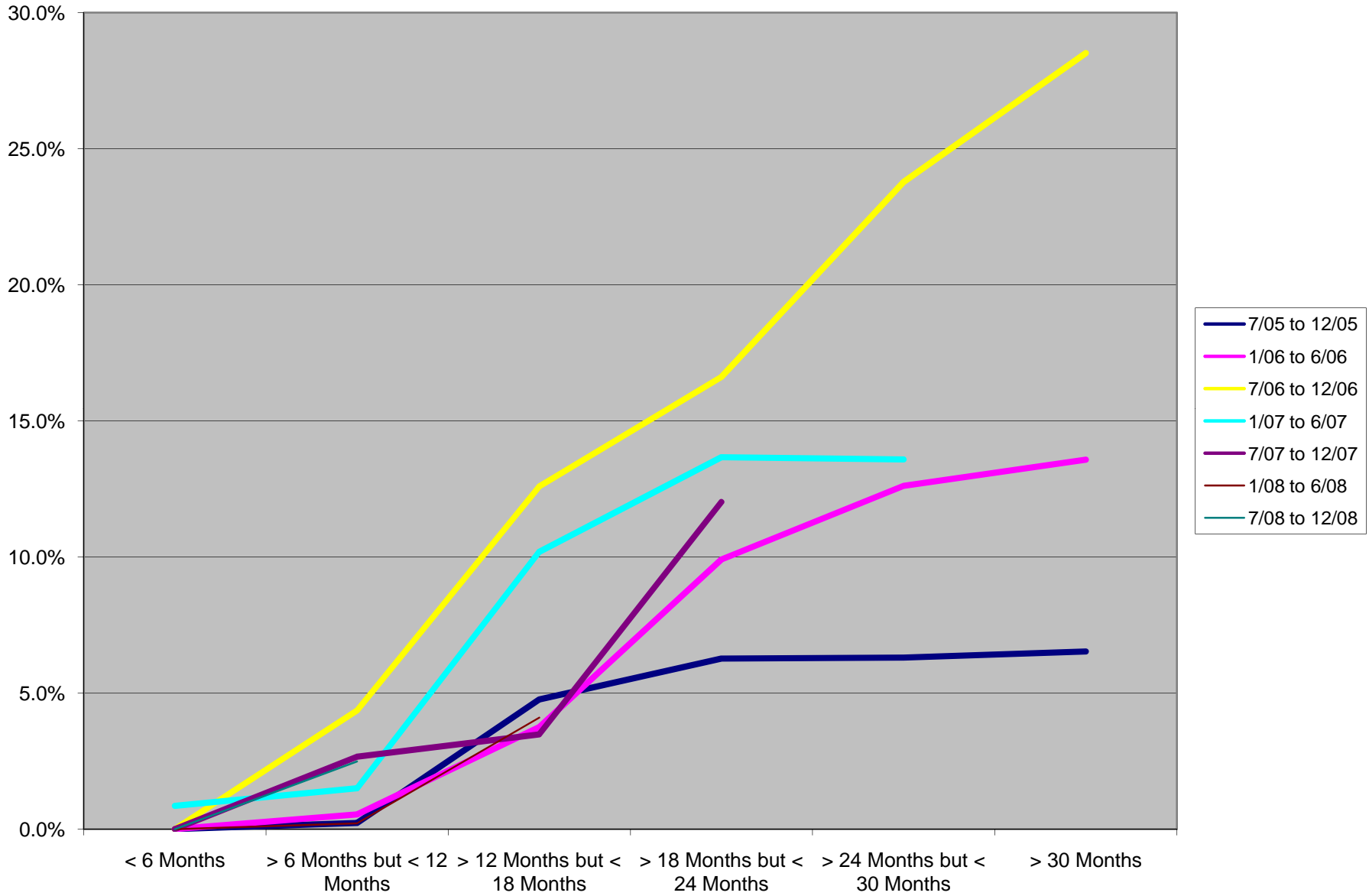
Scoring Guide			
2	AVERAGE 3	4	WEAK 5
1.26-1.30	1.16-1.25	1.00-1.15	<1.00
85%-94%	70-84%	40-69%	<40%
1.26-1.30	1.16-1.25	1.00-1.15	<1.00
strong	avg	weak	very weak
strong	avg	weak	very weak
70-99% of loan term	40-69% of loan term	20-39% of loan term	< 20% of loan term
strong	avg	weak	very weak
all on-time payments < 3 yrs	some delays, no late charges	late charges >=1	has been delinquent
strong	avg	weak	very weak
strong	avg	weak	very weak
95-114% AMI 5-10% poverty	81-95% AMI 11-20% poverty	60-80% AMI 21-30% poverty	<60% AMI >30% poverty

strong likelihood repayment	average likelihood repayment	low likelihood of repayment	very low/no likelihood of repayment
fixed for > = 6 years	fixed for 1-5 years	variable-quarterly	variable-monthly
12 to 36	37 to 60	61 to 84	>84
16-20%	11-15%	5-10%	<5%
13-15%	9-12%	5-8%	<5%









Semi-Annual Vintage Analysis

	Period	\$ Originated	% Outstanding	% Delinquent	% Charged-off
< 6 Months	7/05 to 12/05	\$434,962	97.5%	3.1%	0.0%
> 6 Months but < 12 Months	7/05 to 12/05	\$434,962	61.2%	9.2%	0.2%
> 12 Months but < 18 Months	7/05 to 12/05	\$434,962	28.7%	11.7%	4.8%
> 18 Months but < 24 Months	7/05 to 12/05	\$434,962	9.3%	48.6%	6.3%
> 24 Months but < 30 Months	7/05 to 12/05	\$434,962	3.6%	72.2%	6.3%
> 30 Months	7/05 to 12/05	\$434,962	1.0%	2.5%	6.5%
< 6 Months	1/06 to 6/06	\$527,535	88.7%	0.0%	0.0%
> 6 Months but < 12 Months	1/06 to 6/06	\$527,535	67.2%	8.6%	0.5%
> 12 Months but < 18 Months	1/06 to 6/06	\$527,535	42.8%	7.9%	3.7%
> 18 Months but < 24 Months	1/06 to 6/06	\$527,535	25.3%	15.2%	9.9%
> 24 Months but < 30 Months	1/06 to 6/06	\$527,535	16.4%	5.9%	12.6%
> 30 Months	1/06 to 6/06	\$527,535	10.3%	17.4%	13.6%
< 6 Months	7/06 to 12/06	\$610,785	96.5%	0.0%	0.0%
> 6 Months but < 12 Months	7/06 to 12/06	\$610,785	75.9%	10.6%	4.4%
> 12 Months but < 18 Months	7/06 to 12/06	\$610,785	48.7%	23.3%	12.6%
> 18 Months but < 24 Months	7/06 to 12/06	\$610,785	33.8%	29.8%	16.6%
> 24 Months but < 30 Months	7/06 to 12/06	\$610,785	18.8%	17.2%	23.8%
> 30 Months	7/06 to 12/06	\$610,785	10.3%	19.9%	28.5%
< 6 Months	1/07 to 6/07	\$447,624	86.9%	0.0%	0.9%
> 6 Months but < 12 Months	1/07 to 6/07	\$447,624	73.5%	17.0%	1.5%
> 12 Months but < 18 Months	1/07 to 6/07	\$447,624	46.8%	5.8%	10.2%
> 18 Months but < 24 Months	1/07 to 6/07	\$447,624	30.4%	14.8%	13.7%
> 24 Months but < 30 Months	1/07 to 6/07	\$447,624	19.9%	27.8%	13.6%
< 6 Months	7/07 to 12/07	\$550,967	89.0%	10.9%	0.0%
> 6 Months but < 12 Months	7/07 to 12/07	\$550,967	63.2%	6.6%	2.7%
> 12 Months but < 18 Months	7/07 to 12/07	\$550,967	40.7%	25.1%	3.5%
> 18 Months but < 24 Months	7/07 to 12/07	\$550,967	21.4%	41.6%	12.0%
< 6 Months	1/08 to 6/08	\$371,999	83.1%	0.0%	0.0%
> 6 Months but < 12 Months	1/08 to 6/08	\$371,999	69.0%	5.8%	0.2%
> 12 Months but < 18 Months	1/08 to 6/08	\$371,999	46.0%	11.0%	4.1%
< 6 Months	7/08 to 12/08	\$744,284	88.0%	3.9%	0.0%
> 6 Months but < 12 Months	7/08 to 12/08	\$744,284	65.5%	8.0%	2.5%
< 6 Months	1/09 to 6/09	\$699,142	96.0%	0.0%	0.0%

A. Financial:

- Deteriorating liquidity
- Cash flow problems
- Deteriorating trend in accounts payable (stretched payables)
- Deteriorating trend in accounts receivable
- Accelerated growth or decline in revenues
- Non-payment of taxes (eg. payroll, real estate)
- Filing of tax liens, judgments
- Changes in fiscal year end
- Changes in accounting policies
- Increasing bad debt accounts
- Waivers, extensions, restructures by creditors
- Increasing leverage, reliance on debt
- Overdrafts and uncollected fees
- Trends contrary to peers
- Increasing concentrations with customers, funders
- Delayed completion of audit
- Aged payables to auditor, accountant
- Deferred salaries to management

B. Industry:

- Changes in funder priorities
- Changes in competition
- Technology shifts
- Economic slowdown



C. Management:

- Change in key management
- Lack of good, regular financial reports
- Lack of transparency
- Barriers to access auditors, funders, creditors
- Change in business plan
- Missing important information
- Delayed reporting
- No management succession plan
- Slow to react to market changes
- Lack of balance between program and fiscal focus
- Deteriorating relationship with funders, community

D. Credit:

- Increasing payment delinquency (frequency and/or days)
- Delayed financial reports
- Overadvances, out of compliance with borrowing base
- Unplanned, offseason, or excessive borrowings
- Loan covenant defaults
- Lease defaults
- Request for deferral of payments, restructure of terms
- Request for waivers

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