

Your Financial Institution

Borrower Name:	ABC Development Company		
Borrower ID:	A500600	Note Number:	100200300
Note Amount:	\$1,250,000	Total Exposure:	\$2,750,000
Portfolio Rating:	4	NAICS Code:	236115
Date:	5/4/2010	Loan Officer:	JES

Purpose of the Loan:

Primary Source of Repayment:

Secondary Source of Repayment:

Tertiary Source of Repayment:

Co-borrower(s)/Gauarantor(s):

<u>John Smith</u>	<u>Pat Ryan</u>
<u>Dan Miller</u>	<u>George Peters</u>
<u>Greg Jones</u>	<u>Bob Simon</u>

Collateral Description:

Business Description:

Capacity

Primary Source of Repayment:

Debt Service Coverage Ratio:

Trend In DSC Ratio:

Financial Information Current on Primary Source:

Type of Financial Information Submitted:

Covenant Compliance: DSC:

Net Worth:

Secondary Source of Repayment:

Global Debt Service Coverage Ratio:

Trend in Global DSC:

Financial Information Current on Secondary Source:

Risk Rating for Capacity:

Bank's Risk Rating for Capacity:

Comments:

Borrower does not show the ability to service the debt with a DSC of 0.89x for 2009. However, global DSC is 1.20x. Bank agrees with the model rating of 5.

Character

Repayment History on all loan(s) with the Bank:

Satisfactory

- Current, but occasional slow pays - never more than 30 days PD within the past 12 months

Credit Score:

John Smith	678	Pat Ryan	632
Dan Miller	710	George Peters	801
Greg Jones	723	Bob Simon	664

Years Employed in Profession:

John Smith	10-15	Pat Ryan	2-4
Dan Miller	8-10	George Peters	15+
Greg Jones	15+	Bob Simon	4-6

Cooperate by Submitting Financial Statements and Other Documents on Time as Required:

John Smith	Yes	Pat Ryan	No
Dan Miller	Yes	George Peters	Yes
Greg Jones	No	Bob Simon	Yes

Risk Rating for Character:

4

Bank's Risk Rating for Character:

4

Comments:

Borrower is beginning to show signs of slow pays, but never more than 30 days past due. Current credit reports show some delinquency for Pat Ryan. The Bank is currently attempting to obtain current financial information on Greg Jones & Pat Ryan. Bank agrees with the model rating of 4.

Collateral

Multiple Collateral Securing Loan:

No

Cross Collateralized:

No

Cross-Collateralized Note Number(s):

Type of Collateral:

Improved Property - 1- to 4-Family Non-Owner Occupied

If 100% CD Secured, has the Hold Been Verified?

By:

Collateral Description:

15 SFR Spec Homes @ 123 Main Street

Source of the Valuation:

Appraisal

Date of Valuation:

11/12/2009

Collateral Value:

\$1,650,000

Prior Lien Amount:

\$0

Loan-to-Value:

76%

Risk Rating for Collateral:

3

Bank's Risk Rating for Collateral:

3

Comments:

Loan appears to be adequately secured based on an appraisal conducted 11/12/09. Bank agrees with the model rating of 3.

Capital

NAICS Industry Category: 23 - Construction

Liquidity Ratios of the Primary Source of Repayment:

Current Ratio: 2.12

Quick Ratio: 0.98

Debt Management Ratios of the Primary Source of Repayment:

Debt/Worth Ratio: 6.32

Times-Interest-Earned (TIE) Ratio: 0.98

Liquidity Ratios of the Secondary Source of Repayment:

CADA/Monthly Expenditures:

John Smith 3.10 Pat Ryan 2.11

Dan Miller 6.10 George Peters 1.03

Greg Jones 4.52 Bob Simon 2.94

Liquid Assets/Monthly Expenditures:

John Smith 1.56 Pat Ryan 0.67

Dan Miller 3.01 George Peters 0.54

Greg Jones 1.68 Bob Simon 1.43

Risk Rating for Capital: 5

Bank's Risk Rating for Capital: 5

Comments:

Borrower does not demonstrate good liquidity and is considered to be leveraged. Guarantors show marginal liquidity and it is unclear if they demonstrate the ability to support this loan for an extended period of time. Bank agrees with the model rating of 5.

Conditions

State:

AZ

NAICS Code:

236115

NAICS Industry Category:

23 - Construction

Business Description:

Residential home builder

Years of Operation:

10-15

Industry Outlook:

Negative

Risk Rating for Conditions:

6

Bank's Risk Rating for Conditions:

6

Comments:

Borrower is in a high risk industry market. Bank agrees with the model rating of 6.

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	Grade	Weight	Factor		Legend
Capacity	5	35%	1.75		Pass [1-4]
Character	4	20%	0.8		Criticized [5]
Collateral	3	20%	0.6		Classified [6-8]
Capital	5	15%	0.75		
Conditions	6	10%	0.6		

Overall Rating: 5 *Special Mention*

Bank's Overall Rating: 5 *Special Mention*

Strengths: Long time customer _____
Established business _____
Current on payments _____

Weaknesses: Industry risk _____
Inadequate DSC _____
Marginal liquidity _____

Exception(s) To Policy:

None.

Comments:

Bank agrees with a risk rating of Special Mention based on inadequate cash flow of the primary source of repayment and industry risk. It should be noted loan continues to be paid as agreed.