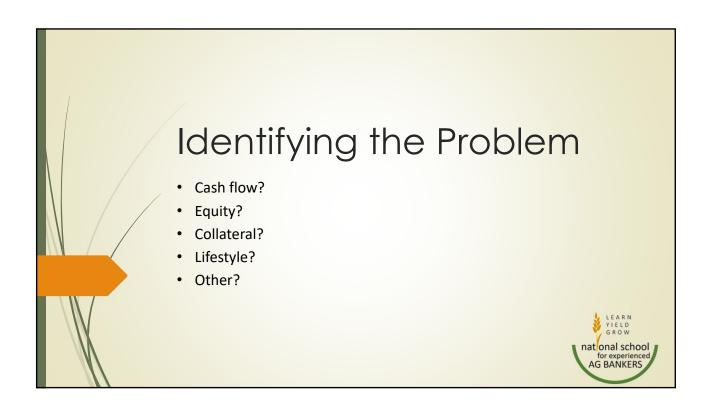


Warning Signs • Quantitative - Cash flow problems (income down or expenses up) - Late payments - Overdrafts - Declining credit score - A/P increasing - Credit card debt increasing - Greater use of vendor financing









Internal Actions

- Dual Officer?
- File review
 - Note, security agreement, filings, loan agreement, guarantees, assignment of insurance, other docs
 - Do we have what we think we have?
 - How do we shore up the gaps?
- Complete internally or with legal counsel

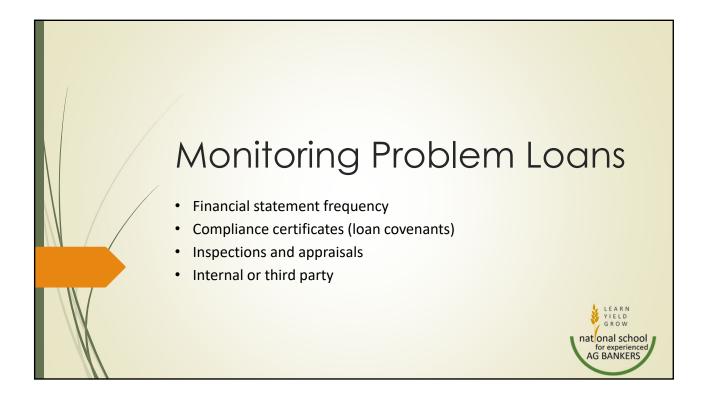


Managing Problem Loans

- Relationship manager or Special Assets Unit?
 - Time requirements
 - Experience
 - Marketing vs. Collection mindset



Interaction with Legal Does the bank have retained counsel? When should legal counsel become engaged? Who takes point on discussions with client?







What is a Forbearance?

- Acknowledgement of non-compliance, violation or breach of contract
- Allows parties to clean up either documentation deficiencies or for client to get back into compliance
- Outlines responsibilities for each party
- Establishes time frame (deadline)
- Outlines next steps if not brought back into compliance

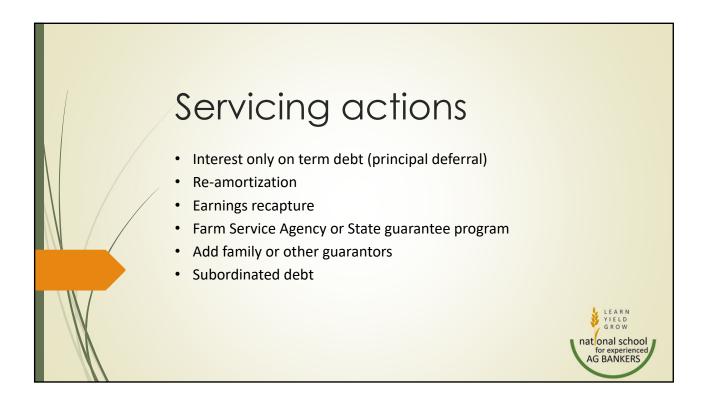


Protecting Collateral

- Notify buyers of farm products depends on State
- Joint checks
- Assignment of crop / other insurance
- Direct disbursement for purchases
- Monitoring measurement and inspections
- Loan more money (protective advances)
- Know your state EFS rules
- Self help replevin







The Cost of Problem Loans

- Direct
 - Legal Fees
 - Allowance for Loan Loss
 - TDR
 - Charge-offs
- Indirect
 - Staff time
 - Public Relations
 - Emotional drain

