ABOUT US

T. Gschwender & Associates, Inc. is a diversified consulting company that has been providing services to financial institutions and businesses in the Northeast United States since 1984. Our financial institutional clients include small community banks and credit unions with less than $100 million in assets to much larger regional institutions with over $5 billion in assets. Our business clients include small sole proprietorships to middle-market privately held corporations.

For our financial institutional clients, we like to describe ourselves as a highly sophisticated "Credit Department," able to handle all functions from initial borrower due diligence to collateral liquidation, and everything in between. Our goal is to provide these services in a timely and cost effective manner, allowing our clients to tap into resources they would not otherwise be able to employ internally.

Our Consultants all have extensive banking and corporate management experience. Some of our Associates have been with us since the company was started, and our current staff provides a wide depth of experience, holding high level positions within banking, accounting, and regulatory institutions.

Call us today for a free consultation.

"First we communicate to understand our Customer's environment. Then we evaluate, make an objective decision, and communicate again. It's very important to us that our Customers understand the recommendations we are making."

Bo Singh, President
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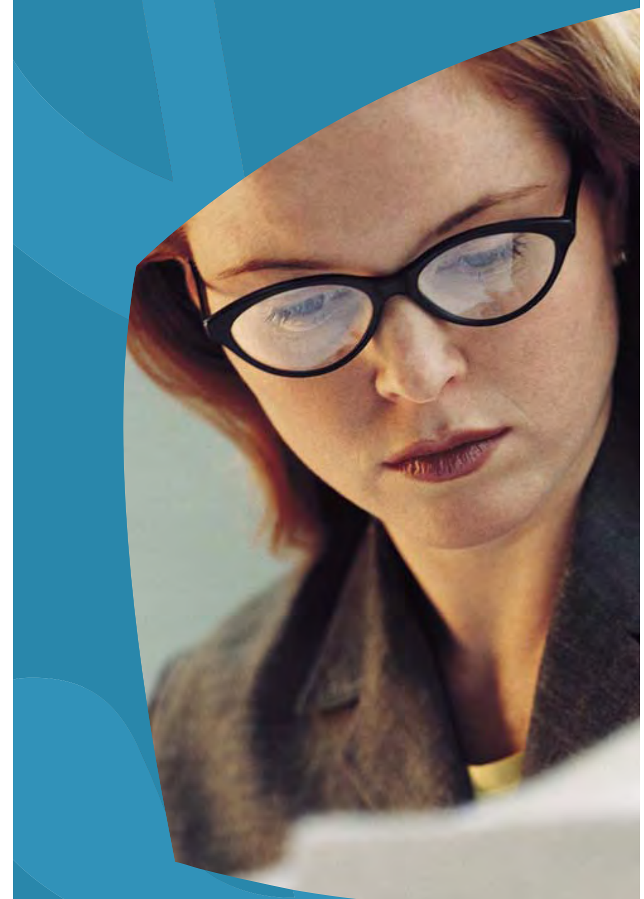
"RISK BASED" LOAN REVIEW



"RISK BASED" LOAN REVIEW

WHY RISK BASED?

Our risk based approach was developed to answer two questions:

- How much of the loan portfolio should be covered?
- Which loans should be reviewed?

TGA found that most financial institutions struggle to support their responses to these questions. Consequently, Senior Management, Board of Directors, Bank's Auditors, and Regulators start to question the depth of the review.

Our Risk Based approach logically provides answers to these questions. We review only those loans that warrant the review. Thus saving the bank time and money!

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HOW DOES IT WORK?

We start by completing a **Credit Risk Assessment** to determine the inherent level of credit risk and its direction. We also determine how well the bank is managing this risk. This helps us determine the appropriate portfolio penetration level.

Then we look at some key characteristics of each loan in the portfolio and place them in to **High**, **Moderate**, and **Low** risk buckets. We then review 100% of the High Risk loans, a minimum of 50% of the Moderate Risk loans, and 10% of the Low Risk loan. Sufficient loans are reviewed to meet the penetration level determined by the Credit Risk Assessment.

Finally, each credit relationship is reviewed using our proprietary **risk-weighted rating model**. Our model, which has been tested and repeatedly reviewed by regulatory agencies, determines the appropriate risk rating. Our risk rating process is **accurate**, **transparent** and **consistent**.

Contact us to see how our process more accurately determines your portfolio risk!!

CREDIT RISK ASSESSMENT SUMMARY

Credit risk is the most recognizable risk associated with banking. Essentially, credit risk is the risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the institution, or otherwise fail to perform as agreed. This definition, however, encompasses more than the traditional definition associated with lending activities. Credit risk is found in all activities where success depends on counter-party, issuer, or borrower performance. Any time the institution's funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether recorded on the institution's balance sheet or off the balance sheet, the institution is exposed to credit risk. Credit risk may also arise where the performance of guarantors is required. In addition, credit risk arises in conjunction with a broad range of non-lending activities, including selecting and purchasing portfolio investments and processing and settling investment transactions with counter-parties.

Inherent Risk Rating	Inherent Risk Trend	Adequacy of Risk Measurement Systems	Adequacy of Risk Monitoring Systems	Adequacy of Specific Risk Controls
(High, Moderate, Low)	*(Stable, Increasing, Decreasing)*	*(Strong, Satisfactory, Weak)*	*(Strong, Satisfactory, Weak)*	*(Strong, Satisfactory, Weak)*
High	**Increasing**	**Satisfactory**	**Weak**	**Satisfactory**

High Risk Loans	Moderate Risk Loans	Low Risk Loans
• Internally criticized and classified relationships (regardless of size) • High exposure relationships representing more than 40% of the allowance reserve • Relationships showing slow payments (30 days and more) and representing 25% or more of allowance reserve	• New relationships in industries representing a concentration at the Bank • New relationships approved with DSCR and/or LTV exception to policy • Relationships showing slow payments and financial information is dated • Credits internally risk rated in Watch Category	• Seasoned loans with excellent payment history, excellent collateral coverage (LTV less than 50%), and current financials on file • Does not otherwise meet the criteria of High or Moderate risk loan

SECURED LOANS

1. Future Repayment Ability	1.00	x	0.30	=	0.30
2. Financial Condition	1.50	x	0.25	=	0.38
3. Collateral	3.00	x	0.15	=	0.45
4. Management Ability	3.00	x	0.10	=	0.30
5. History and Character	3.00	x	0.10	=	0.30
6. Administration	2.50	x	0.10	=	0.25
			TOTAL:		1.98

UNSECURED LOANS

1. Future Repayment Ability		x	0.35	=	
2. Financial Condition		x	0.30	=	
3. Management Ability		x	0.15	=	
4. History and Character		x	0.10	=	
5. Administration		x	0.10	=	
			TOTAL:		

GRADE / RATING PROFILE

Rating -- Description		Proposed Spread	
--		--	
1	-- Exceptional	4.75	-- 5
2	-- Quality	4	-- 4.74
3	-- Acceptable-3	3.5	-- 3.99
4	-- Acceptable-4	3	-- 3.49
5	-- Acceptable-5	2.66	-- 2.99
6	-- Special Mention	2	-- 2.65
7	-- Substandard	1	-- 1.99
8	-- Doubtful	0.5	-- 0.99
9	-- Loss	0	-- 0.49

RISK RATING: 7