

BORROWER FINANCIAL EARLY WARNING SIGNALS OF PROBLEM LOANS

- Failure to receive statements in a timely fashion
- Deterioration in customer's cash position
- Sharp increases in dollar amounts or percentage of accounts receivable or slowness in collection period
- Evidence of stale inventory, large levels of inventory, or inappropriate inventory mix
- Decline in current assets as a percentage of total assets or material changes in the asset mix
- Deterioration of the liquidity or working capital position
- Rapidly changing concentrations in fixed assets
- Inefficient plant and equipment layout
- Poor maintenance of plant and equipment
- Deferred replacement of outmoded or inefficient plant and equipment
- Large increase in warranty reserves
- Significant increase in intangible assets
- Disproportionate increases in current or long-term debt
- High financial leverages
- Rapidly increasing financial leverages
- Significant changes in balance sheet structure
- Change of accountants
- Declining or rapidly expanding sales
- Major gap between gross and net sales
- Rising costs and narrowing profit margins or growing operating losses
- Disproportionate increases in overhead or operating expenses relative to sales
- Rising levels of total assets relative to sales or profits
- Change in nature of the company's business
- Loss of key product lines, franchises, distribution rights, or supply sources
- Loss of any major customers