



Loan Review Summary

ENSIGHT
CRC GROUP, LLC
Credit Risk Consulting

Review as of: 03/31/18	Review Purpose: Modification	Review Date: 04/02/19	Reviewer: Bob Dunlap
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Borrower Identity

Name: WOODWORKS LLC Type: Operating Entity
Business: Manufacturing & wholesale of wood products, primarily wood sheds and outdoor wood furniture

Loan Information

Information for Loan #: 6000005

Bank Risk Grade: 6.00 SubStandard

Original Amount: \$500,000	Date Opened: 10/20/12	Original Maturity: 10/20/13
Current Balance: \$325,000	Committed Exposure: \$250,000	
Charge Off Amount: \$75,000	Charge Off Date: 02/15/15	
NonAccrual NA Interest Paid: \$41,215	Non-Accrual Date: 02/15/15	
Book Balance: \$208,785	Book LTV: 69.3%	Legal LTV: 83.0%
Specific Reserve: \$0		

Original Purpose: RLOC for working capital, secured by a UCC-1 on all business assets, primarily A/R.

Interest Rate: 5.00%

Loan Payment Type: Prin + Int Amount: \$4,225 Amortization: 72 Months

Frequency: Monthly

Loan Officer: Sam Savage

Modifications

Modification on 03/05/15 Maturity: 03/05/16

Purpose: To term out the \$398,600 outstanding balance of the RLOC following a \$20,000 principal curtailment at loan modification closing and to provide a FDOT on 65 acres of vacant land as additional collateral

Advance Terms: Fully advanced at loan closing

Interest Rate: 6.00% Type: Fixed

Loan Payment Type: Prin + Int Amount: \$3,500 Amortization: 114 Months

Frequency: Monthly

Loan Officer: Sam Savage

Loan Approved: Yes Approver: Executive Loan Committee Appropriate Authority: Yes

Does the Loan Conform with Approval: Yes

Modification on 06/15/16 Maturity: 06/15/17

Purpose: To extend the maturity for one year on the existing loan terms

Interest Rate: 6.00% Type: Fixed

Loan Payment Type: Prin + Int Amount: \$3,500 Amortization: 99 Months

Frequency: Monthly

Loan Officer: Sam Savage

Loan Approved: Yes Approver: Officers Loan Committee Appropriate Authority: Yes

Does the Loan Conform with Approval: Yes

Modification on 07/15/17 Maturity: 07/15/18

Purpose: To extend the maturity one year at an increased market interest rate and principal payments.

Interest Rate: 6.50% Type: Fixed

Loan Payment Type: Prin + Int Amount: \$4,225 Amortization: 72 Months

Frequency: Monthly

Loan Payment Status: Current # of Times Past Due: 30: 15 / 60: 4 / 90: 2

Loan Officer: Sam Savage

Loan Approved: Yes Approver: Officers Loan Committee

Appropriate Authority: Yes

Does the Loan Conform with Approval: Yes

Collateral Information

Non-Real Estate Collateral (P)

Description: UCC-1 on all business assets, primarily A/R

Assignment Date: 10/20/12

Assignment Perfected: Yes

UCC-1 State Rec Date: 07/20/17

Appraisals

Date: 03/31/18

Type: A/R Aging Report

Amount: \$220,000

Orig LTV: 227.3%

Security Agreement: Yes

Security Agreement Satisfactory: Yes

Property Insurance: Yes

Amount: \$150,000

Exp Date: 12/25/18

Liability Insurance: Yes

Amount: 1MM/1MM/2MM

Exp Date: 12/25/18

Monitored Advance: N/A

Comments: Originally, the Loan Agreement provided for monitored advances at 65% of eligible A/R.

Real Estate Collateral

RE Type: Land/Lot

Description: FDOT on 105 acres of vacant timberland

Location: VA State Road 425

City: Appomattox

State: VA

Zip: 24522

Appraisals

Date: 02/15/15

Type: "as-is" MV

Amount: \$81,250

Appraiser: Simpson Appraisal Service

Approved Appraiser: Yes

Reviewed: Yes

Accepted: Yes

Orig LTV: 615.4%

Flood Search: N/A

Hazard Insurance: N/A

Flood Insurance: N/A

Mortgage/DOT Date: 03/05/15

Amount: \$100,000

Assign of Rents: N/A

Eff. Recording Date: 03/08/15

Title Verification Type: Title Search

Date: 03/08/15

Original LTV: 166.0%

Total Appraisal Value: \$301,250

Total Current LTV: 83.0%

Borrower/Co-Borrower Financial Analysis

EIN: **-****7777

Name: WOODWORKS LLC

Type: Operating Entity

Type of Financial: Tax Return - S Corp/Ptrshp Year: 2016

Signed: No

Current: Yes

Balance Sheet-Selected Entries('000)			
Assets		Liabilities	
Cash/MS	\$5	A/P & OCL	\$195
Trade A/R	\$242	N/P LOC	
Inventory	\$23	CPLTD	\$42
Total Current Assets	\$270	Total Current Liabilities	\$237
Fixed Assets - net	\$26	Term Debt	\$396
Due from Member	\$125	Due to Member	\$65
Total Assets	\$460	Total Liabilities	\$698
Current Ratio	1.1 X's	Total Operating Leases	
Intangible Assets		Book Capital Equity	(\$238)
Due From Shareholder	\$125	Due To Shareholder	\$65
Net Due Shareholder	(\$60)	Adj Tangible Capital/Eq	(\$298)
Debt to Adj TNW Ratio	-2.3 X's	Cash Distribution	

Income Statement-FYE	
Revenue	\$1,452
Gross Profit	\$480
Interest	\$34
Depreciation/Amort.	\$9
Ordinary Y/Pre-Tax Y	\$40
Rent	\$20
Discretionary Owner Comp	\$75
Non-Deduct Expense	\$5
EBITDA	\$83
Debt Service	\$66
DSCR	1.26 X's
Funded Debt/EBITDA	5.28 X's
Adj Cash Flow	\$78
Adj Cash Flow DSCR	1.18 X's

Interim Financial Type: Internally-Prepared Interim Date: 12/31/17

Signed: Yes

Current: Yes

Income Statement-Interim	
Revenue	\$1,785
Gross Profit	\$565
Interest	\$28
Ordinary Y/Pre-Tax Y	\$62
Rent	\$24
Discretionary Owner Comp	\$80
EBITDA	\$90
Debt Service	\$75
DSCR	1.20 X's
Funded Debt/EBITDA	4.87 X's

Bank Underwriting DSCR Calc	
Cash Flow/EBITDA	\$83
DSCR	1.26 X's

Loan Underwriter and Reviewer Generally Agree: Yes

Financial Performance Trend: Improving

Comments: 70% of 2014 wood shed sales were to one retailer that filed a Chapter 11 Bankruptcy in November 2014 that resulted in a write-off of \$245M in A/R. The company has slowly returned to marginally profitability by increasing the sales of outdoor wood furniture in addition to the wood sheds. 2017 EBITDA surpassed 2016 adjusted cash flow by \$12M, but the DSCR remained roughly the same due to the increased loan principal payments.

Guarantor Financial Analysis

SSN: ***-**-8197 Name: Jonas Carson

Type: Individual

Guaranty Type: Continuing Amount: Full

PFS Date: 06/30/17 Signed: Yes Current: Yes PTR Year: 2016 Signed: No Current: Yes

Financial Statement-Selected Entries('000)			
Assets		Liabilities	
Cash	\$18	Cash Collateral Loans	
CVLI	\$15	Life Policy Loans	
Annuities/Retirement		Other Notes Payable	\$75
Residences	\$250	Residence Mortgages	\$102
Wholly-Owned RE	\$375	Wholly-Owned Mtge	\$155
Part Int/Closely Held	\$325	Related Mortgages/NP	
Total Assets	\$983	Stated Net Worth	\$650
Unencum Liquid Assets	\$33	Adjusted Net Worth	\$178

Tax Return-Selected Entries('000)	
W2	\$75
Schedule C	\$8
Schedule E Net Rental Y	(\$12)
Schedule E - K-1's	\$40
Depreciation Sched C & F	\$5
Depreciation Sch E-Rentals	\$18
K-1 Distributions	\$0
Est Personal Cash Flow	\$108
DTI	40.8%

Bank Underwriting Calculation	
Personal Cash Flow	\$96
Total Debt Payments	\$43
DTI	44.8%
Global DSCR	1.20 X's

Credit Report - Yes	
Date	06/15/17
Score	690
Total Mo Payments	\$3,675

Loan Underwriter and Reviewer Generally Agree: Yes

Financial Performance Trend: Stable

Comments:

SSN: ***-**-6565 Name: Betty Carson

Type: Joint/Spouse

Guaranty Type: Continuing Amount: Full

Spouse provides joint PFS &PTR with Borrower

Credit Report - Yes	
Date	06/15/17
Score	710

Comments:

Reviewer Calculation of Global Debt Service Coverage Ratio (in '000)

Borrower Cash Flow	\$78	Borrower Debt Service	\$75
Ind. Guarantor(s) Discretionary Income*	\$68	Ind. Guarantor(s) Debt Service**	\$44
<i>* Adjusted for estimated income tax and cost of living</i>		<i>** Credit Bureau debt service</i>	
Global Available Cash Flow	\$146	Global Debt Service	\$119
Reviewer Estimated Global Debt Service Ratio	1.23 X's		
Bank Global Debt Service Ratio	1.20 X's		
Loan Underwriter & Reviewer Generally Agree	Yes		

Summary Analysis of Risks to Repayment

Repayment

Priority	Source	Description	Metric	Value
Primary	Borrower Cash Flow	2016 BTR	DSCR	1.18 X's
Secondary	Guarantor Support	2016 PTR	Global DSCR	1.20 X's
Tertiary	Collateral Liquidation	3/31/18 A/R Aging Report & 2015 "as-is" MV	LTV	83.0%

Reg O Loan: No

Document Exceptions

No Document Exceptions

Financial Exceptions

No Financial Exceptions

Loan Policy/Underwriting Exceptions

No Policy/UW Exceptions

Financial Covenants

No Financial Covenants

Loan Weaknesses: Marginally adequate 2016 Borrower DSCR of 1.18 X's and global DSCR of 1.20 X's. 3/31/18 A/R & FDOT on vacant land provide for an 83% LTV based on committed legal exposure and a 108% LTV based on the current legal outstanding balance.

Loan Strengths: None noted

Loan Underwriting presentation: Complete

and the Financial Analysis of the source of Repayment: Acceptable

Loan Underwriting structural support: Moderate/Liberal

Comments on Loan Underwriting: Loan underwriting and structure are satisfactory for the recognized problem loan

Global Cash Flow Calc: Yes

Stress Testing: No

Bank Risk Grade: 6.00

CRC Rec Grade: 6.00

Credit Grade Outlook: Stable

Credit Risk Comments: The Borrower is making payments generally as agreed with some limited additional assistance provided by the Guarantor. The LTV is 69% based on the book balance. Reviewer concurs with the risk grade 6.0 (Substandard) and the loan accounting.

Significant Credit or Loan Structure Issues: No